THE MAGAZINE OF WALL STREET

FEBRUARY 21, 1931

Market Strives for Higher Levels

By A. T. MILLER

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We Rally from Business Shell-Shock

By THEODORE M. KNAPPEN

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Semi-Annual Dividend Forecast

Part II

Steel Chemicals Petroleum
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WITH THE EDITORS

"Long Term" Investments

LONG term investment is an expression of very common usage and yet our experience clearly shows that few people have the same conception of it or mean the same thing when they employ the phrase. When it comes to bonds or preferred stocks, of course, there is more agreement. Most investors do have a backlog of fixed income securities, which they have acquired and hold for a period of years, but in common stocks some people apparently believe themselves long term investors when they retain an issue six months or a year. This of course is absurd—even retention of an issue for a year or more is scarcely long term in the full sense of the expression.

Now we are approaching a time when long term investing may have unusual significance. It is an old saying, which holds considerable truth nevertheless, that great fortunes have been founded in times of acute market depression by buying sound stocks and holding them for the long term. There is much to be said for the procedure—sometimes the "long term" pays exceedingly well.

In illustration consider that splendid study which was made on pages 503 to 505 of the last issue, February 7. Here were presented the results of three portfolios each involving $10,000 with common stocks acquired in 1913 and held until January 15, 1931. Seventeen years is surely a long term, and consider the results; fair return and very substantial appreciation in value in each case. Of course, some losses were involved but total principal was increased from two to eight times depending on the standard by which issues were selected.

Now it may be argued that the past 17 years represented great growth and expansion of industry and corporate profits, and that such a period is not likely to be duplicated at once. We wonder. It seems that this argument has a familiar ring. Has it not been advanced in every severe depression in the history of this country and has it not invariably proved false? But true or not the record presented in this article is highly significant and will bear close study. Certainly there is suggested therein much that is applicable today. Indeed there is even greater scope for selection among sound common stocks. If nothing else this study is a graphic demonstration of the wisdom and profit in acquiring a diversified list of the soundest companies and carrying through the vicissitudes of a "long term."

In the Next Issue

Investment Trusts—A Revelation in Annual Statements

By Carl Williams

Investment trusts have passed through a year of the most difficult kind—They have been subjected to a trial by adversity—Now their annual statements are becoming available and the sheep can be segregated from the goats. No investor will want to miss this article, by the authority who has already contributed in our pages so much to the subject of Investment Trusts.

Retail Trade Will Mark the Business Upturn

How much benefit will department stores, mail order houses, and chain stores receive? What new problems face each division? How are profit margins affected by lower prices? These and other vital subjects to investors and business men will be discussed.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

Business Will Cure Itself—Earnings and Dividends—Make the Best of It—Drought Relief—Investigating the Retailer—Twelve Hundred Bank Failures—The Market Prospect

BUSINESS WILL CURE ITSELF

PRESIDENT HOOVER is said to be inclining to the view that after all is said and done sick business will be cured by time—and time only. It fell sick gluttonously and it will get well abstemiously. Having eaten too much it will cure itself, in time, by automatic abstinence.

Now, somebody has a scheme for general curative and preventive treatment. It is proposed to create a sort of voluntary soviet which will draft a national commercial budget and regulate the stream of business by a system of continuous advice arising out of a kind of perpetual business conference. We asked a broad-minded banker of national and international fame what he thought about the big idea. He replied that no conference on the state of business could agree.

"Time and the inexorable workings of old economic laws," he continued, "are about the only safe remedy. The operation may be painful but the patient will be better off if normal health is restored in the old-fashioned way rather than by some of the new-fangled operative methods so frequently suggested. This does not mean that I am a defeatist, for I believe in the application of progressive thinking, but my observation is that while we gradually make headway in the matter of educating ourselves as to causes and effects in times of stress, our opinions are too confused and divergent to make concerted action on our new theories successful."

We have had enough of expedients, cures by conference and artificial stimulation. They have largely failed in their purpose. We might better replace them with sound leadership which takes full cognizance of the working of natural economic law.

EARNINGS AND DIVIDENDS

IF we recall some of the horrific characterizations given to the unlamented year of 1930 we are apt to fear that figures are lying or liars are figuring when we find that of 100 representative companies whose 1930 reports are out, only two experienced deficits. And the sum of those deficits was substantially less than the total of 1929 deficits for the same group of companies. It is true that on the average earnings appear to be running about 25 per cent less than in 1929, but interest on funded debts was generally earned and but few bonds were defaulted. As a rule the cited companies did not reduce dividends. This however is no assurance that they may not do so, for if conditions generally do not improve it must be

expected that many current rates must be adjusted in line with earning conditions in prospect. On the other hand there will be fewer demands in most companies for expansion of a type to be financed out of current earnings and a larger share of the latter will consequently be available for common dividends.

MAKE THE BEST OF IT

GOVERNMENT, like life in general, proceeds by compromise. Apparently we are about to be compromised into some measure of liquidation now of the soldier bonus debt normally due in 1945. The proposal to discharge the full $3,500,000,000 now has already been rejected, and present indications point to an increase in the loan value of the compensation certificates to 50% of their face value. The Government outlay will probably not exceed 800 million dollars. Looking at the bright side of the subject, we can reflect that whatever sums may be advanced are in the nature of discounts. They are not additions to the national budget except for interest charges on the bonds that may be required to finance the payments. A bond issue of $500,000,000 would not be insupportable and would be welcomed by those financial institutions whose investment range is narrowly limited. It is true that the proceeds would not be productively applied but they would stimulate trade and result in a degree of consumer-debt liquidation, which would doubtless be beneficial to business morale. If it be assumed that such an investment in Government obligations means that somewhere between 500 and 1,000 million would be abstracted in the near future from industrial capital investment, business recovery may be delayed. But we are not convinced that such is necessarily the case. Let us hope that it is not and that whatever sums may be disbursed will prove a business tonic and that any reaction will be absorbed in a rising tide of business.

DROUGHT RELIEF

AS loans that may be dubious, but that are nevertheless to be called loans, drought-stricken farmers are going to have their food requirements financed by the Federal government for more or less of $20,000,000. But a bigger question than this is that of whether another drought year is at hand. The rains that nature disbursed recently throughout the drought and near-drought regions are of far more importance than a deluge of donated dollars. At that they are insignificant compared with the accumulated rainfall deficit. This sophisticated generation may smile at official summons to days of prayer for rain, but when we find ruin wrought over vast areas by causes that are utterly beyond the control of man we can understand the urge to appeal to supernatural aid.

INVESTIGATING THE RETAILER

CONGRESS in its endless investigations has approached one that will be popular. The retailer is now to be put on the carpet along with the bankers and the utilities magnates. Everybody has a suspicion that the retailer is the big devil in the failure of retail prices to keep pace downward with raw materials. The housewife, for instance, would like to know why a loaf of bread costs the same when the wheat in a barrel of flour is worth only a third of what it was two or three years ago. She may find out, more to her dismay than her satisfaction. When she learns what she is paying for besides wheat on the farm she may be tempted to revive baking in the domestic kitchen. Possibly, but not so long as she can lay her hands on a dime when the baking hour arrives. The prices that we pay represent the aggregate costs and profits of whole chains and groups of agricultural, financial and manufacturing processes and services. In simpler days the housewife, who is classed as not being in a gainful occupation and therefore without monetary value, gave her valueless time and labor to work that now demands hard cash backed by a membership card in the bakers' and several other unions. That the modern game is worth the candle is indicated by her recourse to cash instead of the bread pan.

TWELVE HUNDRED BANK FAILURES AND A REMEDY

NOBODY will ever know to what extent the present depression has been sharpened and prolonged by the effect of 1,200 bank failures—at the last count—during 1930, nor how much the 5,000 failures in the preceding nine years had to do with undermining confidence and creating an atmosphere of fear. The fact that more than a hundred of the banks that collapsed in 1930 were members of the Federal Reserve System must have brought some obloquy upon and shaken faith in it. The public had come to believe that a member bank of the Federal Reserve system was above reproach. These facts give support to the suggestion of Owen D. Young that rigid supervision should be exercised by the Federal Reserve Banks over their members and that all the commercial banks of the country be compelled to join the system even if it takes a constitutional amendment to bring it about. It is true that most of the bank failures were those of petty institutions and that their total liabilities were small compared with the entire banking resources of the nation. Whatever may come of Mr. Young's suggestions, the future will benefit from the past operation of the survival of the fit. As there are now fewer feeble banks so there will be fewer future failures, and home-town capitalists will not be so eager as in the past to start a bank with $10,000 to be paid as capital and eager but impecunious borrowers as patrons.

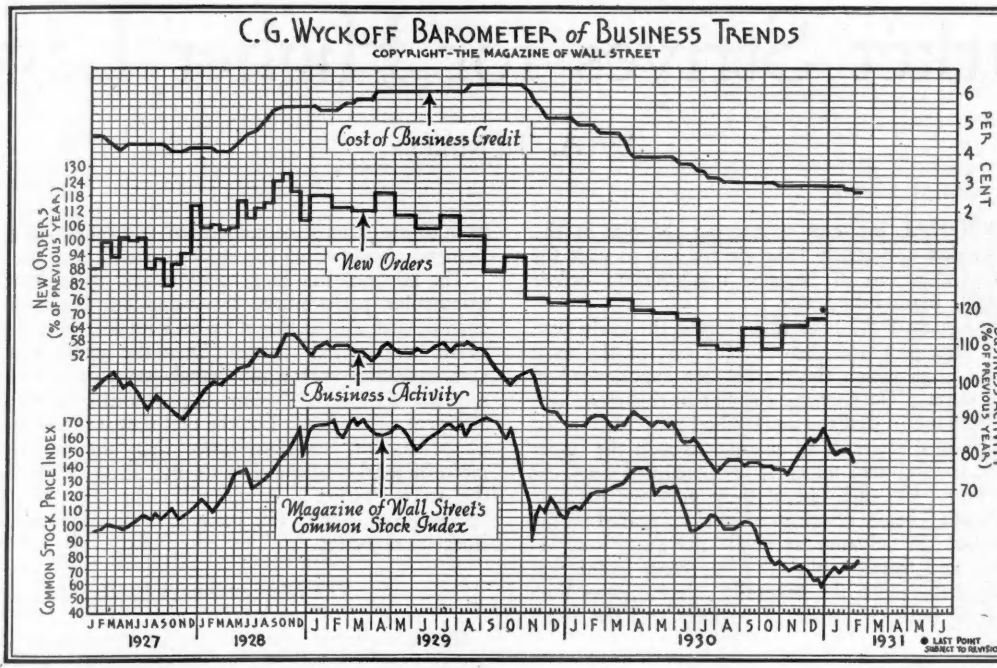
THE MARKET PROSPECT

THE current and prospective trend of the stock market is fully discussed on page 536. Readers are reminded that our latest market advices appear in every issue of the Market Prospect or in the leading market article.

Monday, February 16, 1931.

Taking the Pulse of Business

More Vigorous Buying Necessary for Established Business Upturn



ANALYSIS of last week's bank statement brings to light a number of highly significant repercussions from recent agitation over the soldier bonus controversy. Out of the avalanche of Government and other high grade bonds thrown upon the market by frightened investors, during the week ended February 4th, reporting member banks apparently purchased about 171 millions. Liquidation of commercial and collateral loans absorbed only half of this huge increment in bank credit, so that it is rather surprising to observe a gain of only 30 millions in deposits. The discrepancy is fully explained, however, by country-wide withdrawals of over 100 millions in cash. This brings the estimate of cash now in hoarding close up to 500 millions. Fortunately there is no need at the present time for the extra five billions in bank credit which this money would support if redeposited. Since these reports were compiled an improved outlook for reasonable compromise of the bonus problem, along with waning prospects for an extra session of Congress, have imparted a more confident tone to both stock and bond markets to the accompaniment of further reductions in short term interest rates. Long term rates, on the other hand, remain discouragingly resistant to the normally beneficial influence of accumulating liquid capital.

It will be observed that preliminary reports covering the latest point on our New Orders graph confirm the anticipated moderate increase. This is the first time since 1928 that the barometer has risen for two months in succession, yet new business booked during both months combined was probably little more than sufficient to sustain the year-end rise recorded in our Business Activity curve. After its initial sharp drop, the Business Activity barometer has continued to display reactionary tendencies, though receding recently at a somewhat slackened rate. Further gains in New Orders are obviously much needed at this juncture to strengthen the pulse of business and turn the present feeble seasonal rally into a genuine cyclical recovery.

The market would appear to indicate that such improvement in business is ahead; but against this it must be noted that current market strength rests very largely on sentiment and technical considerations rather than on tangible business prospects which are essential to sustained advance.

¶ *Will the Market Help Business or Will Business Help the Market?*

¶ *Has the Advance in Stock Prices a Sound Foundation?*

Market Strives for Higher Levels

By A. T. Miller

PROFESSIONAL interests sponsoring the rise in the stock market apparently have elected not to wait for definite indications of business improvement before translating their plans into action.

It was some such decision as this, during the early part of February, that prepared the way for one of the most carefully laid coups which the market has experienced in the past few years. The surprise element in this move was all the more striking in that the market had previously made several unsuccessful attempts to emerge through the upper ranges of the trading area which it had occupied since the turn of the year. On each one of these previous attempts to "push through," heavy offerings of stock appeared on the market, checked the advance at about the same level on each occasion and thus established a resistance point that seemed unbreakable with the generally adverse news then emanating from both the realm of business and the realm of politics.

An Abrupt Change

On February 7, the board-room trade settled down listlessly in comfortable chairs to view the usual dull Saturday morning market. And the market opened with every indication of "normalcy." After the first hour, however, a sudden rush of buying orders came to the floor of the stock exchange marking prices up rather generously for a Saturday close and again brought the averages up to the point where they had previously faltered. A compromise was reported to have been reached in Washington concerning the Soldiers' Bonus legislation—one which would at least eliminate the possibility of Treasury financing of three and a half billion dollars. Would this single item in the current affairs of state provide sufficient impetus to carry the market through? A good many participants shook their heads in doubt as they left brokerage offices for the week-end.

The next week opened with a four million share day and a surge of buying that carried prices upward throughout the session. The following two days before the exchange holiday, February 12, ran close to five million shares in volume each and the market had turned virtually over night into what was tantamount to a bear panic—one incidentally which carried the averages comfortably above the points of resistance which it was unable to push through in previous weeks. As an incident in the recent course of the stock market, this sudden and unexpected burst of strength has already been widely heralded throughout the country. In effect, it has added several billion dollars to the fortunes of American investors. And, irrespective of its outcome, it must be recognized as a symbol of a radically changed character of the stock market.

The advance has been so swift and it has covered such spectacular performance by individual issues on the exchange, that it is set down by both its friends and opponents as an "engineered" move. Even the sponsors of the rise (whoever they are) would hardly say that it was a natural response to any equivalent improvement in the industrial affairs of the nation. But the fact that it is an "engineered" move has far less significance than the part which this piece of market strategy is to play in the future course of the stock market. Admittedly, the advance smacks of opportunism, but at this point it is more important to consider its objective.

The Market Breaks Its Bounds

There are times when the forces which move the market are so evenly balanced that the course of stock prices may be thrown this way or that way by a rhetorical straw. As we look back on the market from here, it seems clear that the market was in such a state at the time the advance got under way. Powerful forces hemmed the market in on both sides. The prospects of gaining a public following on the long side of the market were not especially promising. Investor confidence was at a low ebb, due to the uncertainties concerning the immediate business outlook and the absence of any convincing statistical evidence of industrial improvement. The year 1930 had left a heritage of unfavorable corporate reports and dividend reductions. The former impaired the confidence of those with funds for investment and the latter tended to reduce the amount of public funds for security buying purposes. The buying power of the speculative following had been virtually paralyzed by the year and a half decline.

On the other hand, there was certain evidence of the existence of potential strength, even though the strength of the market had not been subjected to a very severe test since the turn of the year. For one thing, the performance of the market had indicated that the long drawn-out liquidation of stocks held in weak hands had been largely completed. The reduction of brokers' loans and collateral loans to individuals in the face of rising prices tended to confirm this observation. Amateur short sellers were greatly encouraged by the inability of the market to push through its resistance points at the upper reaches of its trading range. Their growing numbers crowded this position considerably. The records of odd-lot brokers and transfer agents indicated that small buyers were taking stock out

of the market ever since the Fall decline—a factor that still further reduced the floating supply at the trading levels that then existed.

The Dead-Lock

This was the dead-lock that existed prior to the early February advance—one which gave the market a surface appearance of listlessness and irregularly dull trading prospects, but which had behind it powerful forces with opposing purposes and ambitions. Either direction that the market broke away from this dead-lock, the move was bound to be of rather impressive proportions. With previous failures of the market to break through the top, it might have been more logical for the professional interests to have tested the ability of the market to hold its December lows. But instead of making a test of the lows, a drive of striking proportions was made against the shorts. In this final test of the resistance points at the "ceiling," the resistance gave way. One may call it market strategy, a professional manoeuver, strong-arm tactics against the shorts, or pure and simple engineering of the market by the sponsors of the rise. But aside from how one labels this upward movement, the clue to the course of the market from this point on is to be found in the aims and motives of the interests who were successful in bringing about the market coup.

Three Possible Objectives

In our opinion there are three possible objectives. The first (which incidently seems the least likely or important) would be to establish a higher level for further distribution of stocks. The liquidation which accompanied the decline in the latter part of 1930, fell off to a negligible point when stock prices were hovering at their low levels. It is somewhat problematical whether liquidation reached its natural conclusion at this point or whether it was withdrawn because of the paucity of buying orders at this stage of the decline. If one can assume that the liquidation was turned off, merely because of lack of buyers for stock, then it would be logical to attempt to restore some measure of buying to the market. There is no better way to renew speculative enthusiasm, of course, than the familiar old practice of giving stocks "a whirl." This aim, however, has fallen far behind successful achievement as far as the market as a whole is concerned. So far, the public has probably sold as much stock on the advance as it has bought.

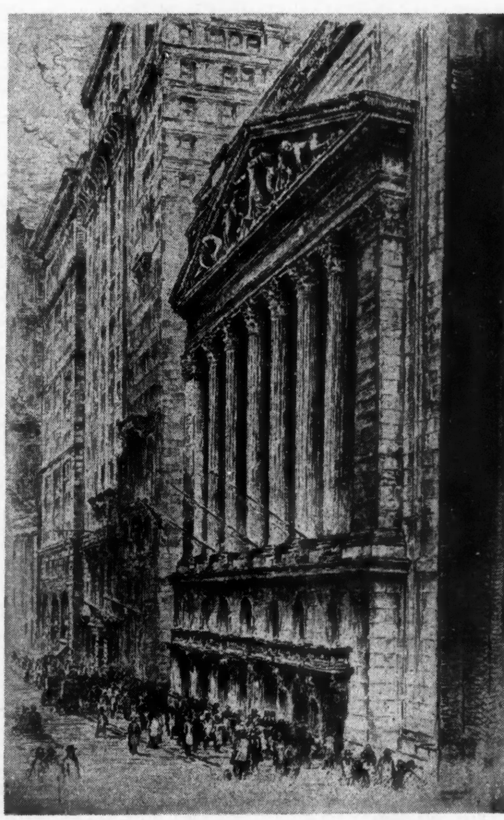
Another (and perhaps a more obvious) objective for the advance would be to discount future improvement in business and corporate earnings. It was several months after the actual start of the business recession in 1929, that there was any convincing visual evidence of the change. It may be several months after the depression has run its course that positive signs of the change in the business cycle will become known here. But if the general deflation in business and the markets has run its course, a new basis for the valuation of equity securities is in order. When 1930 came to a close, stocks were appraised almost entirely in terms of bear market conditions; of reduced corporate earning power in a depression year, and of a downward trend of security income and dividend distributions. When this latter trend is brought to a halt, new appraisals for stocks would be warranted. Interests who are especially well informed on industrial conditions or who are sufficiently courageous to precipitate a buying campaign in the stock market on the meagre indications of improvement now available, may be "discounting" a turn for the better in business. This objective would be valid even though one considers stability as a change for the better, with the record of continuous recession behind us.

This objective outlined above is not inconsistent with another probable aim of the constructive interests, namely to give general business a much needed stimulus by marking up stock prices. Business itself is in somewhat of a dead-lock. Undoubtedly a good deal of the normal momentum of a business decline has already been witnessed. Markets have a backlog of postponed buying orders in many lines of business. Commodity price deflation has already been sufficiently drastic to be compatible with a major business depression. Against all of these constructive factors, however, there lies the tremendous force of the inherent lethargy of business depressions. Some spark is necessary to bring the constructive forces into life.

A vigorous advance in the stock market, which would not only make the morning newspapers more pleasant reading for millions of security holders but would also add very materially to their impaired fortunes, might be just the stimulus to start business back again. Better business, on the other hand, would mean more prosperous corporations, and again, safer dividends and better income statements to sustain the higher level of security prices. Business and the stock market have helped each other over rough places before—why not now?

In the practical application to one's current investment program, of the interpretations of the market advance as outlined above, one should recognize the varying and often opposing objectives involved in the sudden change in front which the market has exhibited. It is not a question of whether the whole market has been put up in order to liquidate stocks or whether the advance both discounts and hopes to aid business. It is rather a situation in which all of these purposes are involved in different ways and more especially in different issues. The stock market is usually more selective in the advances than during

(Please turn to page 590)



Etching by P. Geissler, Courtesy J. Assenheim & Son

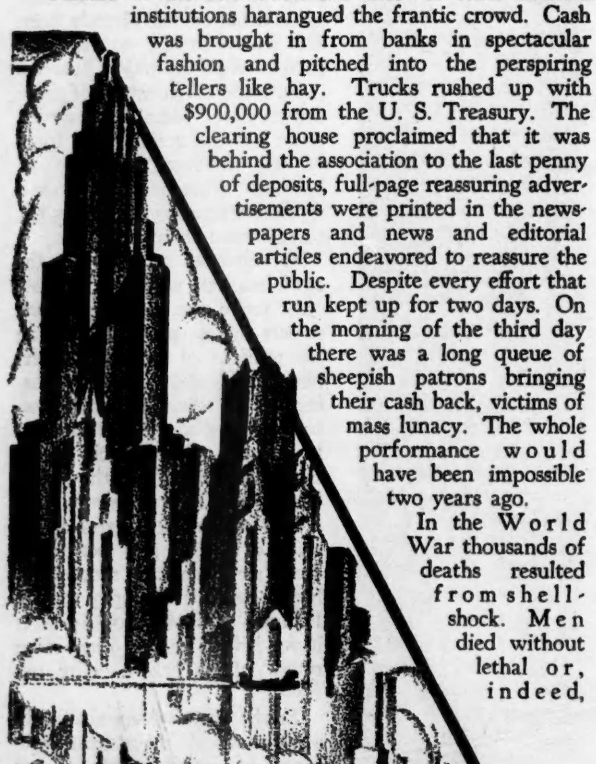
The Stock Exchange

We Rally from Business Shell-Shock

By Theodore M. Knappen

IN Washington the other day a woman employed in one of the government departments telephoned a number of acquaintances that they had better get their money out of the Perpetual Building Association. They "chained" the tip to others and within an hour an institution that has stood for generations in the Capital City as the one institution of its kind that would survive though the financial heavens fell was in the throes of a frantic and implacable "run on the bank."

Officials of the association and those of other financial institutions harangued the frantic crowd. Cash was brought in from banks in spectacular fashion and pitched into the perspiring tellers like hay. Trucks rushed up with $900,000 from the U. S. Treasury. The clearing house proclaimed that it was behind the association to the last penny of deposits, full-page reassuring advertisements were printed in the newspapers and news and editorial articles endeavored to reassure the public. Despite every effort that run kept up for two days. On the morning of the third day there was a long queue of sheepish patrons bringing their cash back, victims of mass lunacy. The whole performance would have been impossible two years ago.



In the World War thousands of deaths resulted from shell-shock. Men died without lethal or, indeed, any visible wounds. Temporary prostrations from the shock of shell explosions nearby were almost innumerable. In many cases the victim of shock was left with some form of neurasthenia, even insanity, from which recovery was tedious. The term shell-shock is popularly applied to these cases. Students of the present economic malady say that its continuation, if not the malady itself, is a sort of shock psychosis. The mass patient is apparently sound and strong but he doesn't function normally.

The public state of mind a year ago was courageous and hopeful. The chronic demoralization set in long after the big Bertha shells exploded in the stock exchanges fifteen months ago. Until recently it seems to have been cumulative and progressive. Every time the patient has braced up and endeavored to make his mind dominant over his body he has been met with a blow that hurt him physically and harrowed his shattered nerves. His mind-cure efforts were defeated by the piling up of physical disasters that he had fancied were not to be. Every time he took a dose of the Coué philosophy that you are what you say, his faith was rudely shocked by an agonizing blow below the belt that doubled him up.

Just when he was assuring himself that the stock market smash was merely an episode, just a scratch, that the nation was all here with all of its natural resources, all of its splendidly efficient industrial plants, all of its 123,000,000 virile people, all of its energy and resourcefulness, with just as much physical wealth and more productive capacity than ever, with more gold in the vaults than any nation had ever had since the dawn of history, he was batted over the head by stunner after stunner. Just take a look at the shocks that batted him down!

The Shells That Shocked

Foreign trade fell off straight down. All the raw material countries slumped. After an encouraging upswing during the early months the stock market began a descent to new depths. After being "out" for 16 years Russia came back as a great wheat exporter and wheat tumbled to 65 cents on the farms. The railroads didn't have enough storage tracks for the empty cars. Commodities—supposed to be stabilized—started down a slide that has kept up until the present. Industrial output declined and declined. Steel hit the bottom. The automobile industry "laid down." Building, which was expected to get better, got worse and worse. Congress inopportunely raised the tariff after paralyzing delay, and foreign retaliation set in. Unforeseen revolutions overthrew seven governments in Latin America and revolts shook others. The Hitlerites and communists burst out unexpectedly in Germany and voted 13,000,000 strong for revolution and chaos. Mussolini rattled the saber, and the French war machine rolled to the summits of the Alps. The bottom

¶ *The Generally Delayed Recognition of the True Magnitude of the 1930 Depression Proved the Greatest Obstacle to Recovery.*

¶ *Now That Morale Has Improved and a Better Perspective Obtains, What Have We Accomplished in Correcting the Fundamental Causes and Preventing Reoccurrence of an Economic Cataclysm?*

fell out of silver and the Orient stopped buying. An unparalleled drought devastated a large part of the United States. An epidemic of bank failures swept the South and West, and New York staged the greatest bank failure in history. Banks became static and their chief object was to pile up cash reserves. Business failures mounted and mounted and finally attained an all-time record. When realization began to succeed hope there came a contagion of mind-cure nostrums. Buy-now campaigns, spend-a-dollar-more drives, and the like came and went and left a feeling of futility.

Then came an overproduction of bread-lines which added a calamity complex. Every man who helped finance a bread line, visioned himself standing in one. Finally Congress met with an encouraging pledge of a patriotic political truce—and immediately plunged into the creation of a succession of partisan rows of unparalleled rancor, out of which came business shock after shock.

Now all of this was sufficient to take the gumption out of everybody—and it certainly extracted that virtue from millions. But healing processes were at work even while new wounds were opening. Gradually this penetrated the national consciousness, sentiment is now more optimistic, and after waiting for some general miracle that would restore the long-mourned good times, there recently grew up a disposition to stage an individual miracle — of selling where there has been no buying.

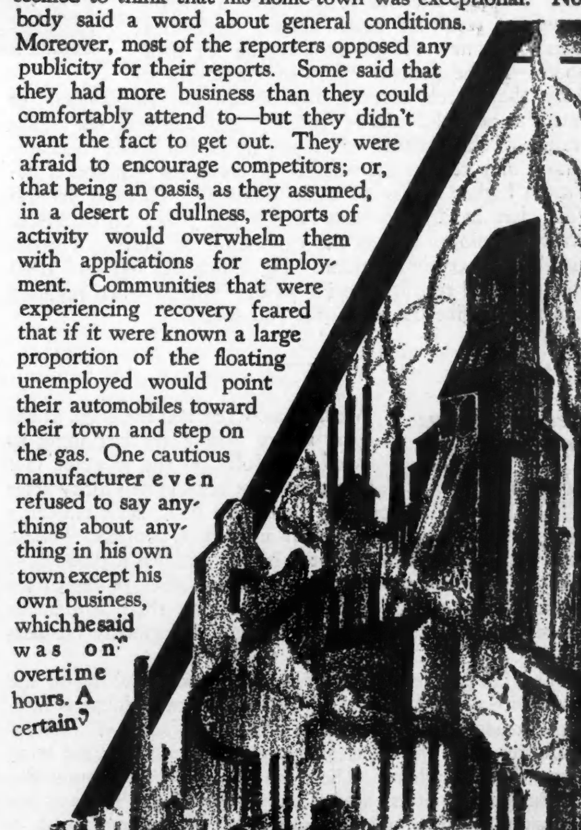
Five traveling men sat in a club car the other night and talked about business for three hours. In the whole time not one of them mentioned bad times in general. All their talk was of this sale closed, of the strategy that would land a big buyer, of schemes and plans for getting business. These men did not mention consolidations, mergers and stupendous schemes, as they would have eighteen months ago. They didn't hint at the stock market. They had realized that what was of most interest to them was not the 20 per cent of shrinkage in general business but getting their share of the 80 per cent. They had divorced themselves from the general depression in a determined effort for individual progression.

The five drummers were a microcosm of what is now going on over the whole country. Everybody who has a job is making the most of it. Expansion being denied for the time, everybody is now reconciling himself to the situation. Instead of waiting *en masse* for something to turn up on a grand scale everybody who has a tool and a place to wield it is working like a beaver in low water.

Feeling Better Without Better Figures

Up to the end of January nothing very substantial in the way of progress was reflected by mass statistics but evidence accumulated throughout the month that people were recovering from the rude dispersion of an illusion of endless prosperity that had been growing on them for many years. Feeling seemed to be distinctly better. A systematic effort was made from Washington as a center to find out whether and why sentiment was better. A curious discovery was made.

Sixty-five per cent of the business men who were asked to give an uncolored picture of the situation in their communities, reported that business was picking up or showed unmistakable evidences of being about to do so. But each one seemed to think that his home-town was exceptional. Nobody said a word about general conditions. Moreover, most of the reporters opposed any publicity for their reports. Some said that they had more business than they could comfortably attend to—but they didn't want the fact to get out. They were afraid to encourage competitors; or, that being an oasis, as they assumed, in a desert of dullness, reports of activity would overwhelm them with applications for employment. Communities that were experiencing recovery feared that if it were known a large proportion of the floating unemployed would point their automobiles toward their town and step on the gas. One cautious manufacturer even refused to say anything about anything in his own town except his own business, which he said was on overtime hours. A certain



textile town that was down and nearly out before general hard times set in was bubbling with good news, but only for confidential communication. It seems that the terrific jolt of 1930 had finally shocked the conservative cotton manufacturers of this burg out of their moss-bound conservatism. Of five textile plants in the town it was stated that three had entirely re-machined their factories, reorganized the business systems, cut costs to the bone and were now running full time and making money. A fourth plant was in process of re-machining and had all the business it could attend to under the prevailing physical condition; the fifth had just started to install new equipment.

Unemployment reports from cities and corporations showed that the situation was well in hand. Practically every industrial center in the country reported that local relief measures were amply meeting all demands.

Better Machines—Better Men

Hundreds of individual industries revealed something new under the sun. Call it an improved feeling of social responsibility if you will, and it probably is in large measures, but a deep student of industrial progress declares it is largely a socially beneficial result of much abused mechanization. The new thing—most benign for shell-shock—is the general effort of employers to keep the wheels turning and spread out employment as much as possible. Aside from the new altruism, the explanation of this attitude of employers is that while mechanization may reduce the number of employes required it demands higher ability of those retained. There is general fear that hard times may wreck the plant organization. Every employer dreads the experience of putting a green hand on a costly machine. He wants his old and tried men at hand ready to spring to the controls when reviving times shall give the signal for full speed.

Readjustment Planned and Unplanned

We have now reached the stage in the cycle where people are beginning to dwell gratefully on the pleasant fact that they have been pretty lucky after all. They are discovering that they have been suffering sympathetically and vicariously instead of actually. People who really have been benefited by the business depression—and they are many—have begun to take stock of their own personal situations. They are studying their bankbooks more than statistics of unemployment and gloomy business indices.

The fall in commodity prices is not so appalling to the man with a fixed income who finds that each dollar is buying considerably more than it was a year ago. The actual suffering from the business depression is more in the large cities than elsewhere. There are thousands of communities in the United States whose knowledge of the business depression is gained almost entirely from reading about it. Adversity as well as prosperity is magnified by the concentration of big business in big cities.

People who have merely suffered some curtailment of income have now adjusted themselves to the conditions. They have stopped worrying. They know that they can carry on. The check on worrying has been emphasized by the declarations of hundreds of concerns that no reductions in payrolls are contemplated for 1931. Good medicine for business shell-shock!

It is well known that trade associations and co-operative controls tend to disintegrate or dissolve in fact if not in name under business stress. The problem then becomes one of each concern not being the hindmost prey for the devil. When overproduction has worked its ruin, the first impulse of every manufacturer is to curtail production. The depression is itself an evidence of response toward a cure. It is notorious that in many instances group efforts to curtail production while the kite was flying high were of no avail. The low indices of production at present have been mostly brought about by individual action. Keen competition results.

Two consequences affecting capacity result. Many manufacturers are forced into bankruptcy or some other form of liquidation. Some seek safety in consolidations—and the brightest hope of production control is seen in larger units. Others, in order to compete more successfully, reorganize their plants and install new machinery, with larger capacity. So far as the retirement of obsolete or obsolescent producers is concerned capacity is curtailed, but the efficient producers tend to increase potential capacity. The textile industry is the only one that is acting as a group to curtail manufacturing capacity. It has been acquiring inefficient plants and scrapping them. Other group action seems to be confined to restraining output. The petroleum industry, with the counsel of a governmental board and the teeth of state laws, has had some success in checking output. Group effort and lean order files have brought lumber production below demand.

Slow Agony for Agriculture

The Farm Board has been preaching united reduction of acreage as a means of meeting overproduction of agricultural products in the United States but with little success. Low prices will probably prevail in staple agricultural products for some years.

This condition will eventually force correspondingly lower prices in other commodities and finished goods. Manufacturers will seek every means to bring their products within the scope of attenuated purses of buyers who live by producing raw materials. This may bring us up against the problem of reducing wages. Reduction may be the only way to curtail the surplus of labor.

Speculation Its Own Doctor

Speculation has cured itself for the time being. It is in its excesses a product of prosperity and optimism. How long it will remember its present lesson is doubtful. There was no commodity speculation to contend with. Inventories in the hands of manufacturers and distributors were not large as related to demand. Hand-to-mouth buying had been the rule for years. There wasn't much stock to reduce. Now this lesson of conservative stocks and non-speculative buying was learned by the merchants in 1920-21, and the lesson lasted. The ultimate consumer held the overproduction bag, but experience is setting a lesson for him now.

Securities speculation may be chastened for a long period. But as yet there has been really nothing done to check its excesses, either by the exchanges, the banks, or legislatures. Perhaps nothing fundamental can be or should be done, although there is general agreement that the connection

(Please turn to page 581)

Our Investment Stake in South America

With Huge Investments and Many Branch Factories Located in South America, United States Must Meet Aggressive Competition of Great Britain and Other European Interests for Profitable and Growing Trade

By Ralph L. Woods

The position of the countries to the south of us are of growing import. To them we must look for perhaps the greatest expansion in our foreign trade. We have millions invested there both in public and private enterprise. The author of this interesting article offers a graphic picture of broad interest and value not only to holders or buyers of foreign securities but to all business men to whom wider markets are a desirable objective.—Editor.

If the Prince of Wales visits India or Africa it is interesting but not important to American business. But when he visits South America, as he and his brother Prince George now are doing, it makes our leaders of finance and industry stir rather uneasily in their well upholstered chairs. For this time the Prince travels not as a jaded member of royalty in search of new diversions but rather in the significant role of "Commissioner Extraordinary of Empire Trade"; in other words Britain's greatest salesman.

Beneath the fanfare and panoply of it all lies the grim struggle Great Britain is making to retain and regain the commercial and financial supremacy in South America to which the United States has been succeeding in recent years. An understanding of the extent of our financial commitments, industrial colonies, and growing foreign trade with these southern neighbors will graphically reveal why Britain is employing all her means and skill to dam up and divert the economic currents now flowing with such force between the United States and the nations of South America.

The story of this economic penetration of ours has often been told in dry and forbidding figures. We know that previous to the world war the great bulk of foreign investments in South America were of European origin and that when the war swept Europe that our financial and commercial star began its ascent to its present commanding position. And it has often been pointed out to us that whereas previous to the world war what little foreign investments we had were centered in Europe, that today we have invested in Latin America—an amount two and one-half times as large as our total direct investments in all of Europe.

Taking both our direct and indirect investments into consideration, our stake in Latin America is five and one-half billion dollars, more than four times the total just prior to the World War. On the other hand, Great Britain's investments in the same territory are estimated to have increased scarcely more than one-fifth during the same period.

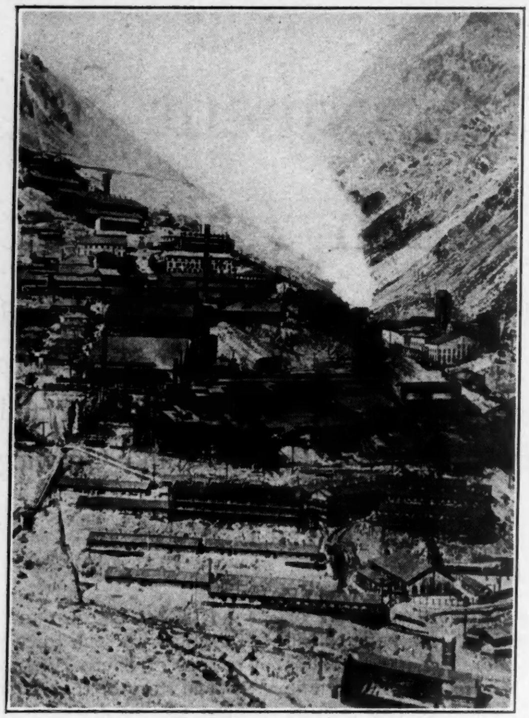
Standard Oil Refinery in Argentina

Although a little more than half of our Latin American investments are in Cuba, Mexico, the West Indies and Central America, the South American nations are of greater importance to the United States at this time because of their richer and less exploited natural resources and because of the more attractive possibilities they offer as an expanding market for our surplus of finished goods and the profitable investment of

more of our important funds.

The growing importance of South America to us from a foreign trade standpoint is indicated by the fact that in the last fifty years our trade with these countries has increased 876 per cent, while our trade with Europe during the same time increased only 353 per per cent. South America has been a good customer of the United States. In 1929 she purchased one-tenth of all our exports, or 539 million dollars. But, as we shall see, it is her vast natural resources which have been the principal attraction to our business world.

Such figures as these merely tell us that we have vast financial, industrial and commercial interests in South America; that these interests have principally been acquired during our post war position as banker and creditor to the world; and that we are beginning to succeed to Great Britain's position as the foreign nation with the greatest economic stake in South America.



Braden Copper Mining Properties in Chile

What these figures do not tell us is that this wealth of ours has been used to gain control of the rich mineral resources, the utility systems and the domestic industries of these countries. Nor do the figures give any inkling of the methods American bankers pursue to defeat the high tariffs of these countries, or the fact that our international viewpoint must undergo a change if we are to successfully continue our present policy of economic empire.

In order to learn the story back of these imposing figures they must be translated into the more definite terms of merchandise, raw materials, physical properties, and corporate personalities we read of every day.

Because conditions in South America vary from country to country it is best that we survey the scene by taking a glance at each separate political division.

Argentina

As the most powerful political and economic unit of South America, Argentina has long led her sister nations in the amount of foreign capital and trade she has attracted from Europe and the United States. While our investments and trade with Argentina, as in the other South American countries, properly should date from the World War, Europe's investments and trade date from a much earlier time. In fact Great Britain has for so long regarded Argentina as almost her exclusive happy trading grounds that today she views with particular concern our growing investments and trade with that country. In 1914 we had invested in Argentina a trifling forty million dollars. Today our investment is 658 million, a gain of 1,546 per cent.

American Investments,	**658 million**
Buys from us annually,	**200 million**
Sells us annually	**100 million**

Many of these millions were advanced for the expansion of already established domestic industries of Argentina. Other millions were invested in new domestic enterprises and as loans to the Argentinian government. And still other millions were employed by United States corporations to set up branch factories in Argentina.

An interesting phase of our economic penetration of foreign lands, and one that is receiving more attention daily, is that of the recent activities of our public utility holding companies in acquiring foreign properties. The three or four dominant utility systems in the United States have so exhausted the possibilities for further acquisitions at home that they have become interested in the utility systems of other nations. South America has been no exception.

A recent instance of this is the purchase of a majority interest in the Buenos Aires Central Railroad and Terminal Co. by the South American Railways, a Delaware corporation which owes its creation to the New York banking house of Harris Forbes & Co. and the American Founders interests.

This company operates a steam railroad 200 miles west from Buenos Aires and has large terminal facilities in Buenos Aires which will be greatly expanded under the new ownership. The same group of bankers have also gained control of the Buenos Aires Light & Power Co.

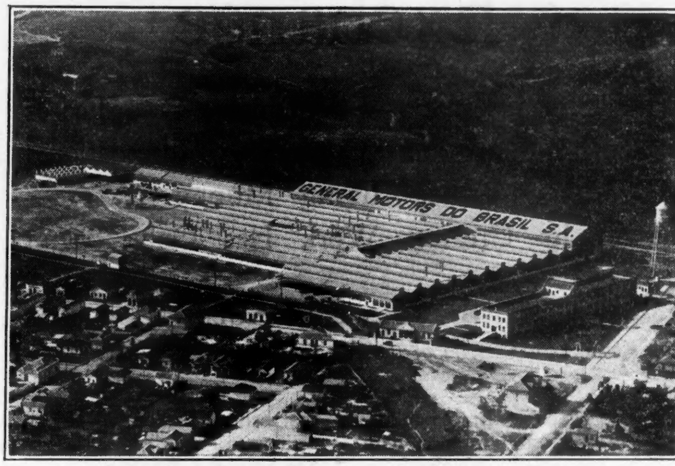
Another public utility holding company with vast interests in South America is the International Telephone & Telegraph Company. In the Argentine this company operates telegraph cable service to and from the United States and radio telephone service between Argentine and Spain, with plans to extend the same service to the United States. The International company also owns the Compañia Telefonica Argentine and recently acquired from British interests a control of the United River Plate Telephone Co.

The tendency of American industrial concerns to build and operate branch factories in foreign countries has been greatly accelerated as a result of the actual or threatened action of other countries to erect tariff walls against our exports in retaliation to our recently enacted Hawley Smoot tariff. American business says in effect, "If you won't let us export our goods we will slice off a chunk of our factory, export it, set it up in your country and receive the benefit of the cheaper labor you have. Furthermore what we don't sell to your country will be exported back to the United States to sell at a profit, and in some cases a greater profit than if it were actually manufactured in the United States."

This, however, is not the happiest nor the safest doctrine. It must not be forgotten that nearly all South Americans more or less resent the exploitation of their resources and

labor by foreigners. The seed of an action similar to Mexico's in confiscating foreign property is there, and should be an important consideration in development plans.

A list of the companies operating branch factories in Argentina would include such names as Ford, General Motors, Victor Talking Machine Co., Walkover Shoe Co., Portland Cement Co., National Lead Co., Standard Oil Co. of New Jersey, Newark Shoe Co., Firestone Tire & Rubber Co., and the Goodrich Rubber Co.



A Modern Automobile Assembly Plant in Brazil

Since the Argentine is one of the world's greatest cattle countries it is not surprising that the Chicago triumvirate of Swift, Armour, and Wilson have a fairly tight grip on Argentina's meat industry.

There remains still another use to which money invested in a foreign country is put. That is the purchase of goods from other countries, usually from the creditor country. During the period 1914 to 1929 Argentina's purchase of our goods increased 238% to a value of 210 million dollars for 1929. Britain's trade in the same period increased only 91%.

That the United States will continue to find the going in Argentina as easy as it has been during the past decade is admitted by no one familiar with the facts. The highest tariff we ever have enacted, has so far had only unfavorable repercussions in Argentina, whose principal exports to the United States have been adversely affected. If Argentina cannot continue to sell us as much of her goods as she previously has done, she will hardly be disposed, or able, to buy from us the exportable surplus we have as a result of our mass production.

One of the most important features of the Prince of Wales' South American visit is the opening of Great Britain's great trade fair at Buenos Aires. British trade places great hope in this device to help revive her waning commerce with the Argentine. Another factor favorable to Britain is that she is not burdened with an antagonistic tariff.

At present the most hopeful sign of our continued trade leadership with the Argentine is the recent change in government. The former president of the Republic, Hipolito Irigoyan, who dominated the political scene for many years, was an outspoken foe of the United States and friendly to Great Britain. His successor, Provisional President Jose Uriburu, upon taking office, immediately expressed a cordial and co-operative attitude towards the United States. Subsequent events have indicated his sincerity.

American Investments, 600 million (Estimated)
Buys from us annually, 100 million
Sells us annually . . . . 200 million

Brazil Although Brazil has the greatest natural resources of any of the South American nations it ranks second in political and economic power. Its torrid climate has evidently handicapped it in competing with the more temperate Argentine. And yet that same torridity made it possible for Henry Ford to take over a 3,700,000 acre concession in the state of Para for the large scale production of rubber. Mr. Ford's purpose is to supply the rubber requirements of the American market and to ward off the danger of foreign control of the world's rubber supply.

American investments in Brazil include Federal, State, and Municipal loans of more than 400 million, public utility investments of about 100 million, manufacturing investments of at least half that amount and miscellaneous investments of perhaps 50 million which would place our total stake at somewhat more than 600 million. Some idea of exactly what these figures mean may be obtained by mentioning a few of the activities of American corporations.

Of these activities the most interesting and significant is that of the three Morgan companies, Electric Bond & Share Co., International Telephone & Telegraph, and the International General Electric Co. Both the International Telephone and Telegraph Co. and the Electric Bond & Share Co. have large holdings in Brazil. The last named company recently added to its holdings by acquiring control of the Brazilian Light & Traction Co., and the International took over the Compañia Telefonica Rio Grandense of Brazil and added it to its already large telegraph cable service and its commercial radio service in Brazil.

A Profitable Arrangement

With both these Morgan companies operating on such an extensive scale it is obvious that they must buy large quantities of copper wire for expansions planned and for present needs. Since Brazil has a prohibitively high tariff on the importation of copper wire these companies have had to content themselves with purchasing it in Brazil. But with one company, the National Copper Mfg. Co. of Brazil, supplying two-thirds of the nation's requirements the price was considered too high by the American owners.

To defeat this situation another Morgan company, the International General Electric Co. of Schenectady, N. Y., bought out the Brazilian company so that the other two Morgan companies could purchase their copper wire at a low figure. Here is the power of America's wealth at its best—or worst, according to the viewpoint. Whatever else one may say of such tactics it must be admitted that while they may not increase our popularity abroad they do make more dollars, and that seems to be more important.

Like the other South American nations, Brazil has her due share of branch factories of American industries. These include Ford, General Motors, the Chicago triplets, Swift, Armour, and Wilson, the Brunswicke-Balke-Collender Co., General Electric Co., Universal Pictures, Columbia Phonograph, Autostrop Safety Razor Co., Kolynos Co., S. S. White Dental Manufacturing Co., Parke, Davis & Co., and the Otis Elevator Co. *(Please turn to page 584)*

Taking the Change Out of Exchange

Bank for International Settlements Co-ordinates Central Banks in Controlling International Credit and Stabilizing Money Rates — And Its Greatest Work Has Only Begun

By George P. Auld

Accountant General of the Reparation Commission, 1920-24

CONTINUOUSLY since 1914 the central banking authorities of the world have been burdened with many heavy responsibilities connected with the functioning of the financial, monetary and credit systems of the world. The urgent need for organized co-operation between central bankers and for an institution which could undertake some (and perhaps ultimately most) of the functions of "a central bank of central banks" resulted in the establishment of the Bank for International Settlements.

Under the definition of a leading English authority a central bank is an institution upon which has been conferred by law or custom the responsibility for the smooth running of the credit and currency system of a particular area. Taken literally such a responsibility would approach the economically all-embracing, and most central bankers today are at pains to make clear the practical limitations on that responsibility.

Those limitations are due in part to economic factors not susceptible of control through monetary policy and in part to man's as yet imperfect understanding of the vast machine of production and exchange which he has so rapidly erected. In the debacle of over-production and over-trading from which the world now seems to be on the point of emerging, some of the things that central banks or a "central bank of central banks" may not reasonably be expected to accomplish have become more clearly apparent. Particularly has it been made evident how chimerical, or at least how utterly remote of application in the existing state of human knowledge, is the notion that central banking practice can control or eliminate the major movements of the price level.

It is nevertheless clear that central banking policy, though operating within limitations and even below the level of its maximum usefulness, has been the determining factor in cushioning the critical shocks of recent years and preserving the financial mechanism from serious structural damage. To accomplish those objects in a world tied together across political frontiers by an incredibly intricate network of economic threads, has been a task of extraordinary difficulty.

The action of a central bank in changing the discount rate or varying the amount of its security holdings, though it may be taken for the primary purpose of tightening or easing domestic credit, inevitably affects conditions abroad in an opposite manner. Domestic credit, foreign credit, domestic production, foreign purchasing power, trade and the foreign exchanges are all inextricably inter-related and their sensitive barometers fluctuate with every movement in the discount rates of central banks.

The spectacle of the 34 central banks of the world wielding separately and without effective consultation the powerful double-edged instruments with which monetary science has equipped them, is an exceedingly disturbing one—doubtless to no one more disquieting than to the central bankers themselves. The Young Committee, which tied the project for an international bank into its reparation scheme comprised in its chairman a director of the Federal Reserve Bank of New York and among its other members two directors of the Bank of England, the head of the Bank of France and the head of the Reichsbank. Close co-operation of central banks, they said in words well worth pondering, is "essential to the continuing stability of the world's credit structure."

AN ACORN THAT MAY GROW INTO A GREAT TREE

What Does the Bank for International Settlements Do? In this timely article Mr. Auld shows how it is already operating to harmonize the policies of national reserve banks. For the first time in history a common agency is seeking to remove financial friction in international commerce. Its success is essential to the stability of the world's credit structure, but it exercises as yet few of the essential attributes of a central bank of central banks and cannot at present deal effectively with the fundamental question of conserving the world's supply of monetary gold. It now operates purposefully, without national prejudice, to equalize the existing supply of short term credit.

The Committee's draft plan was taken in hand by an international organization committee headed by Jackson E. Reynolds of New York, with whom was associated as the other American delegate Melvin A. Traylor of Chicago. All controversial issues embraced with the scheme were satisfactorily composed and the bank was duly organized at Basle under a Swiss charter, written in turn into an international treaty. Fifty-six per cent of its authorized capital of $96,500,000 (one-quarter paid in) was assigned in 7 equal parts to the central banks of England, France, Germany, Belgium, Italy and Japan, and an American banking group consisting of J. P. Morgan & Co., The First National Bank of New York and the First National Bank of Chicago. Fifteen other central banks, all in Europe, now hold smaller participations and nearly 18 per cent of the stock is available for issuance to central banks elsewhere.

Not a Bank of Currency Issue

The more important of the debatable points in the charter were settled by prohibiting the new institution from competing with private concerns (affecting principally London and New York) in the business of accepting drafts; by prohibiting it from entering any national money market over the veto of the central bank concerned, and, except after treaty amendment, from altering specified sections of its charter, relating chiefly to the structure of the institution, the allocation of its capital, the restrictions on its powers and the distribution of its profits. Other prohibitions on the bank's powers—all of them obviously well-considered — run against the issuance of currency notes, the acquisition of a predominating interest in any business concern, and the making of advances to or opening current accounts for governments. The bank is endowed with all other normal powers of a central bank, including discounting and rediscounting short-term obligations of prime liquidity (including Treasury bills), buying and selling gold, negotiable securities and exchange, holding gold in custody for central banks, making advances to and borrowing from central banks, opening accounts with and acting as agent for any central bank and arranging for any central bank to act as its agent.

World Bank Headquarters, Basle, Switzerland

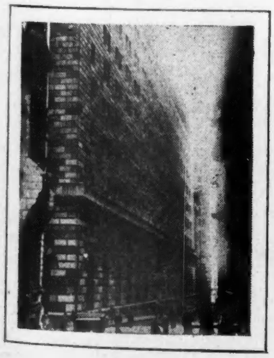
Administration of Reparations a Minor Task

The creation of a financial institution to administer the reparation plan was the direct occasion of the establishment of the bank, as the technical aspects of the payment of reparations were rightly regarded as having an economic or commercial rather than a political character. In particular the international transfer of the reparation annuities and the investment of balances not due for transfer are matters of considerable importance to the international money markets, and as such could best be handled by an organization of qualified banking experts. But, as Gates W. McGarrah, the American president of the B. I. S. (as the bank is colloquially called), has said, its reparation functions demand in themselves relatively little of the time and effort of the organization. However, the deposit of reparations guarantee funds by Germany and France and other balances arising out of reparations were providing at January 31 forty-four per cent of the total resources with which the bank fulfills its more active and significant functions as a stabilizing factor in the machinery of international exchange.

An International Credit Equalizer

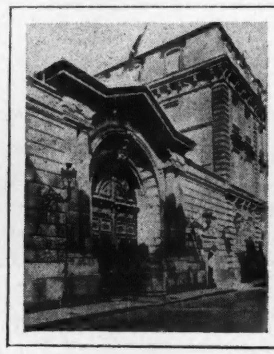
With the funds thus provided, together with substantial deposits of foreign exchange reserves by central banks, the B. I. S. has taken its place as a bank of deposit commanding the use of a fund of short-term money, now amounting to $330,000,000, which is administered with the continuous purpose, new to the world of international finance, of relieving exchange strains and money market tensions at the various centers where they may be experienced.

Though the published statements of the bank do not disclose the geographical distribution of its investments, it is probable that this fund, or portions of it, moves more freely from market to market than any other fund of (*Please turn to page* 586)

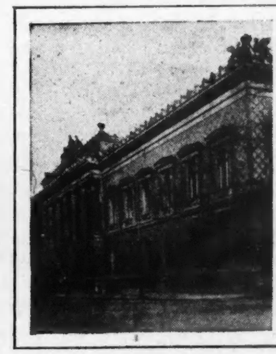


Federal Reserve Bank

Bank of England



Bank of France



Reichsbank

Things To

And Now Sales Taxes

THE past year or more has seen the downward descent of security values, a long downswing of commodity prices, readjustment in retail prices, a remarkable deflation of brokers' loans, a lowering trend in interest rates. Indeed the downgrade has been the prevailing direction of nearly everything except taxes which currently evidence the high buoyancy of prosperous times. Local states and federal assessments remain at previous levels if they do not actually seek new high ground. And now a new tax rises to plague us in the growing disposition toward a specialized sales tax on nearly all retail sales. More than one half of the legislatures currently in session are due to consider some form of sales tax. While some of the resulting burden from such a practice would react to the disadvantage of the merchant, and might well result in lower profit margins, in the natural course of events most of it would unquestionably be passed on to the consumer. It is to be hoped that a concerted action of merchants can avert, discourage or postpone it.

* * *

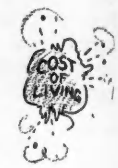
The Muscovite Customer

Soviet Russia under her ambitious, and so far amazingly productive Five Year Plan is currently flooding the markets of the world with whatever surplus of hers that she can turn into the much needed gold. Not only do we find the Soviets competing in South America, selling against our wheat and cotton in Europe, but currently she is making a drive on the Chinese markets. Offsetting her competitive inroads to some extent, however, is the inescapable fact that Russia is also a large customer of the United States. During 1930 she purchased more from us than from any other nation. The latest figures show that we have preempted even Germany as a supplier of the necessary goods to consummate her great plan. No doubt this is because we produce so much that Russia currently needs, particularly machinery and equipment. For this reason we are of course supplying only a temporary market. The time may soon come when her own self-sufficiency will no longer attract her to our goods, but we may profit by such trade while it lasts.

* * *

New Styles in Financing

Changing times brings new styles in many things—even in corporate financing. Thus we find a decline in the popularity of rights and a much smaller utilization of this formerly employed vehicle. Throughout last year this trend was notable and during the past months a very small number of companies offered rights to subscribe to stock. Investors in a declining market are not inclined to increase their stake by exercising stock rights and properly view their sale as a dilution of equity. Such considerations are lost sight of in a rising market. A second new trend of a very different sort is the increasing volume of financing by means of serial bonds. Particularly is this true in the municipal field where serial maturities are well adapted to the needs of borrowing communities and add to the salability of issues by providing investors with a broader selection in the term of their investment.



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Cheaper and Cheaper Silver

So drastic a decline in value as that suffered by silver in the past year or more is bound to bring startling changes. For example an examination of articles on the jewelry counter of the 5-and-10-cent stores reveals many of the familiar "sterling" marks. Because of its falling intrinsic value silver may have lost caste as ornamental metal for many, but at the

Think About

same time it enters a new field for those who knew it not heretofore. New industrial uses are also developing which up to this time were blocked by its former values. The copper and metal companies who must produce silver as a by-product are bewailing its low levels but the film industries—if they were not too heavily inventoried, must rejoice.

* * *

Crop Prospects and Prices

The extent to which business will recover during 1931 will depend in no small degree on this year's crop, particularly the crop prospects as they may be indicated early in the second quarter of the year. At present it would appear as though small crops at more favorable prices would be a better advantage to the farmer as well as to business as a whole, Chairman Legge of the Farm Board estimates that the current surplus of wheat may be more completely consumed than was previously anticipated, and unless more rainfall occurs in many extensive areas the winter wheat crop will be below normal. The resulting strengthening in the price structure of wheat might also find some reflection in corn where it is exceedingly unlikely that the prevailing relationship between the price of wheat and corn will be changed materially. The outlook for cotton is not indicative at the present time of any high return per acre. Very little will be spent for fertilizer this year because of impoverished conditions in the South, the subsoil moisture is far below normal and the mildness of the winter will contribute to an unusually high emergence of the boll weevil. The result of such combined influences probably means smaller crop and higher prices. In the rich lands of Texas and Oklahoma where fertilization is not so necessary as in the South Atlantic states the growers will have a considerable advantage in being able to market a normal yield in a considerably stronger market.

Speaking of the boll weevil suggests the fact that the insect pests in this country are steadily on the increase both in actual numbers and variety. It is estimated that the annual toll which they take in farm produce amounts to more than $1,500,000,000 and combating their terrific inroads on farm income has given rise to a large and growing industry in the manufacture of insecticides. These products are becoming an important source of revenue for chemical manufacturers and large capital investments have been made in equipment for the production of suitable exterminating chemicals. The farmers' trials are the chemical companies' gains.

* * *

Sun-Light Illumination

Home illumination by lighting systems affording the same diffusion as day light and providing the essential ultra-violet rays now derived only from the sun itself or artificially from the so-called sun lamps, are about to be made available. By recent developments this form of life-giving illumination is made possible on regular house current. Its marketing will provide great stimulus to manufacturers of electric lighting equipment and may revolutionize the science of illumination. The ascetic student of the future may be characterized by his Palm Beach tan in place of the bookworm's pallor.

* * *

Faster Films Change the Movies

The present method of making motion pictures may be completely revolutionized and the leading companies materially aided in their current campaign to reduce expenditures by the new film recently announced by Eastman Kodak. This new film is three times as sensitive to light as that formerly employed. As a consequence many pictures can be made without any artificial lighting, and those where it is used will not require the expensive lighting effects with their attendant heat and glare, that are now essential.

* * *

Natural Gas Spreads

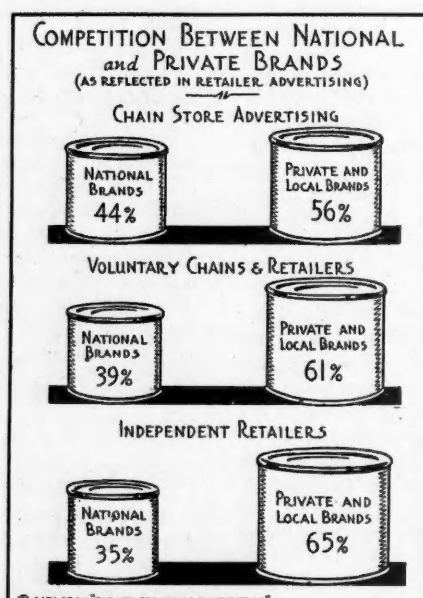
Good business or bad the natural gas industry maintains its pace of rapid development and expansion of its net work of service lines. The Columbia Gas & Electric Co. has recently completed its pipe line in Washington, D. C., and is now prepared to supply that city and surrounding territory with natural gas from the fields of Eastern Kentucky. Extensive supplies of natural gas are continually being found and an increasing number of industries are adopting this form of fuel, particularly in the West where coal is less abundant. The utilities engaged in natural gas production and distribution are among the strongest groups.

Brand Meets Brand in Conflict

Giant Struggle in Progress as Products of National Producers of Food, Drugs and Other Lines of Merchandise Meet Growing Number of Private Brands—Here Is Competition Within Industry—What Will Be the Outcome?

By Martin C. Crawford

BRANDS and brands and still more brands! As infinite as the sands of the Sahara they bewilder store-keepers and ultimate consumers alike. Everywhere one turns he is literally deluged with brands. Indeed, the patent office at Washington, D. C., registers a total of 279,943 trade marks, a term which is equivalent to brands. Of this imposing number, many are of course obsolete or not in general use but its very magnitude nevertheless does reflect an overindulgence in this present-day marketing form.



Branding of merchandise is as old as the history of commerce and unquestionably the practise has tremendous advantages. But when it is grossly overdone as it appears to be at the present time in this country some serious problems arise. Retailers are not only perplexed by the ever rising flood of brands but they are hampered in a business way. To accommodate even a small portion of the endless number of brands now on the market brings the merchant face to face with the problem of becoming over-stocked, and reduces his turnover, because of many slow moving items on his shelves, to the extent where the returns on his investment become exceptionally low. When a small drug store recently reported that it carried, or at least had on hand, 56 different brands of hair tonic alone, and this store doing a gross business of less than $60 a day, the seriousness of the situation appears to be overshadowed by its absurdity.

Brands Rise with Advertising

In the past decade the movement towards branded merchandise has become especially prominent. Its rise is synchronous with the growth of advertising, which has given branded goods national standing. Moreover, production facilities of all descriptions during this period became so prolific that sellers suddenly appeared to have recognized the undeniable advantages of a trade mark to give their product distinction over the mass of other similar products. Certainly in a period of declining commodity prices a trade mark lends itself as a remedy.

Food Brands Flood the Market

The food field as a result of the trend toward branded products particularly has experienced a remarkable transformation. A new magic entered the picture in the form of packaging. For the sake of appearance alone packaging is desirable, but more than this it is necessary in order to maintain quality and sanitation and to facilitate trade. It has taken such a firm hold, indeed, that modern merchandising experts frequently think in terms of packages and labels rather than in terms of foods and food values. Modern merchandising psychology can accomplish wonders, but it cannot ignore this fundamental point. In the long run sustained demand goes back to quality not to labels.

Competition among the food manufacturers has developed into a battle of the brands which they sponsor. But the battle is on a wider front than only among the leading manufacturers, because myriads of private brands are on the market fighting to oust the national brands. The picture of food merchandising today presents many conflicting interests of the varied groups in the trade.

Thirty years ago, the wholesaler was the dominating figure in the food trades. Since 1900, however, national brands have expanded greatly with the general tendency of industry to be nationalized. As the years went by, the ever increasing nation-wide advertising programs made the American consumers more and more national brand conscious and with this development the larger food companies steadily became more firmly intrenched. Many of these companies, moreover, have a tremendous asset in their research laboratories through which new products are developed and improved methods devised. Operating ef-

ficiencies in the production of new types of foods have frequently been introduced more rapidly and most completely by the large concerns.

The displacement of the wholesaler from his dominant position has been a gradual process, largely brought about by the direct sale by the manufacturer to the retailer through extensively developed distributing systems. Then the rapid growth of the chain store completely changed the picture.

These chain retailers were tremendously interested in national brands. With little prestige and no labels of their own in the early days, national brands provided a ready-made product which consumers accepted readily. The national manufacturer on the other hand found a channel through which he might gain a large volume of distribution and at a lower cost or narrower margin because wholesale expenses could be held down practically to warehousing and trucking. Here was liberation from the established wholesaler. The manufacturers naturally cultivated these new channels and expanded their volume of business tremendously, and that momentum has continued throughout the last decade.

National Brands Battle Private Brands

This was too good to last, however. Beginning about five years ago and gaining very rapidly during the last two or three years, a new movement has been afoot which holds a serious threat to the national manufacturers. The chains store systems have grown so large and powerful that they threaten to oust national brands by the development of their own brands. Indeed, about 35 per cent of the retail grocery business of this country is now handled by some 800 to 900 centrally owned chain store systems, who together control about 60,000 out of a total number of about 300,000 retail food outlets. Besides this, the voluntary chains or groups of independent store owners, numbering about 551 with a total membership of some 60,000 stores, account for between 25 to 30 per cent of the total annual sales of groceries at retail.

The chain stores, especially the large centrally owned organizations, have arrived and are conscious of their power. The largest of this group actually did a business in excess of a billion dollars last year; another large concern approximated a quarter billion business, and many of the others run into heavy turnover. Controlling such a large volume of business, it is only natural that they either go in for manufacturing their own brands or at least provide themselves with their own labels. The emancipation of the chain store from national brands is becoming increasingly disconcerting to the national manufacturer.

The manufacturers on their part, noting the sharp increase in private brands and labels not only in the chain stores but in the independent stores as well, characterize the private brands as cheap, inferior goods of undependable quality foisted on the public. The dealers are accused of pushing their own or private labels in favor of the better known product of national repute. And this charge is not without some foundation, for even though the customer asks for the national brand the dealer commonly persuades the purchase of the private brand as being just as good and a little lower in price.

Dealers Hold Key to Situation

The dealer, of course, is primarily interested in profit margins and as a rule these are greater on the private brands than on the national brands. The national manufacturer, however, believes that the dealers should be satisfied with a lower profit margin on his product because of the large advertising expense he carries, which brings business to the dealers. To this the latter reply that the advertising is predatory, cutting into the sales of other similar products carried, and in fact, the policy is deliberately designed to reduce the dealers to a status of working for nothing.

Literally growing in the shadow of the nationally advertised giants, private brands thus tend to defeat the purpose of national manufacturers to stabilize the price of their products. Needing only aggressive local advertising and free from the expensive national advertising, private brands offer the weapons for cutthroat competition. And that they are doing just this is indisputably portrayed in the illustration showing the proportions of newspaper (or local) advertising devoted by the chain stores, voluntary chains, and large independents to national brands and to private and unnamed brands. The study, based on a nation-wide analysis, shows that 41 per cent of the items advertised by the chain stores were strictly private brands, 15 per cent were unnamed brands, and 44 per cent were national brands. The voluntary chains showed 43 per cent private, 18 per cent unnamed, and 39 per cent national brands, while the large independents were 28 per cent private, 37 per cent unnamed and only 35 per cent national brands.

Disclosed in this light, the manufacturers of national brands are thus seen as traveling a path which is not exactly strewn with roses. Yet, standing behind the high and uniform quality of their product, they know that the private brands have a high mark to reach in attempting to dislodge them from public favor. In the better known national brands such as Del Monte put out by California Packing Co., the numerous Beechnut Packing Co. brands, and those associated with General Foods, Standard Brands, Gold Dust, and many other companies in the food field, the public by and large know that it is protected in quality.

Private labels are sometimes, although not commonly, used to deceive the public. In one case, for instance, it was discovered that retailers were selling

(*Please turn to page 585*)

The Battle of Brands in a Drug Store

Usual Number of Brands of Toilet Goods Carried in Drug Stores With Sales Over $100 a Day

	Number of Different Brands	Total Number of Styles, Sizes or Colors	Number Which are Fast or Consistent Sellers
Face Powders	42	48	10
Talcum Powders	32	40	10
Tooth Pastes	26	30	10
Hair Tonics	20	22	5
Cold Creams	20	30	10
Shaving Preparations	20	25	8
Rouge Compacts	16	18	6
Hair Dressings	15	20	6
Vanishing Creams	15	20	5
Shampoos	14	15	5
Perfume Extracts	12	21	6
Toilet Waters	12	16	5
Hand Lotions	10	15	4
Lipsticks	10	12	3

From figures compiled by Druggists' Research Bureau.

MISSOURI PACIFIC
1st & Ref. 5s, 1977

Rail Bond Offers Liberal Income Return

Issue a First Mortgage on Large Part of Road

BY WARD GATES

THE First & Refunding Mortgage 5% Bonds Series "F" of the Missouri Pacific Railroad Co. due March 1, 1977, represent sound security value on an important railroad system in this country and are currently obtainable at a price which returns the purchaser an attractive yield. The road is one of the Van Sweringen group and occupies a strategic position in the Southwest.

The lines of the system, including subsidiaries, extend from St. Louis on the east to Kansas City, Omaha, and Pueblo, Colorado, on the west, and to Memphis, New Orleans, Fort Worth, Dallas, Houston, Galveston, San Antonio, El Paso, the Rio Grande Valley and the Mexican Border on the south and west. Connections are made at Pueblo with the Denver & Rio Grande Western R. R. of which Missouri Pacific owns 50% of the common stock, the other 50% being owned by the Western Pacific R. R. which offers through connection to San Francisco.

The acquisition of control of the Missouri Pacific by the Van Sweringen interests has significance from several angles. The Van Sweringens already control important railroads in trunk line territory, but merger with the Missouri Pacific which operates in Western territory is not an immediate possibility. The affiliation, however, can be used to divert to the Missouri Pacific traffic originating on the eastern roads and which is destined westward. In doing this, however, the independent position of the Missouri Pacific with respect to interchange with other systems will probably not be jeopardized.

On the basis of past experience the Van Sweringens have demonstrated their ability for bettering the efficiency of operations and in this way effect still further improvement in the already favorable position of the road. Regardless of the new interests entering its management, the record of the road in recent years entitles it to a fairly high position in the railroad world.

Earnings of Missouri Pacific R. R.

	Gross	Net	Times Interest Earned
1930	$120,187,689	$25,742,494	1.35
1929	139,807,915	29,724,150	1.70
1928	131,576,525	25,108,442	1.61
1927	125,728,406	20,378,188	1.28
1926	133,990,295	23,704,949	1.57
1925	130,831,661	22,213,236	1.53

The First & Refunding Mortgage Bonds are secured by a first lien on 5,679 miles of railroad of the company together with valuable terminal properties, depots and bridges. Subject to approximately $52,642,000 principal amount of prior liens on various parts of the system, for the retirement of which First & Refunding Bonds are reserved, the bonds are a mortgage on the remaining 1,108 miles of the directly owned lines of the company. They are in addition secured by a first lien on $23,703,000 par value of the preferred stock (total issue) of the Texas & Pacific Railway Company which carries a dividend of 5% annually.

The aggregate amount of First & Refunding Bonds outstanding is now $224,040,500 which is at the rate of about $39,400 per mile on the 5,679 miles of railroad on which the issue is a first lien. The total of the prior liens and the First & Refunding Mortgage Bonds is $276,683,000 or at the rate of slightly less than $41,000 per mile on the 6,787 miles of railroad subject to the mortgages. The prior liens may not be increased or extended.

The Missouri Pacific system has a net investment in road and equipment, after deducting reserves for depreciation of equipment, in excess of $532,000,000 and investment in affiliated companies of more than $81,000,000, a total of $613,000,000. This compares with $411,519,100 total funded debt and equipment trust obligations. Of this total funded debt $95,683,500 represents bonds junior to the First & Refunding Mortgage Bonds, so that after deducting this amount, the investment is equivalent to slightly more than $2,000 per $1,000 of First & Refunding Bonds and prior issues.

There are now five different issues under the First & Refunding Mortgage Bonds, maturing on different dates but all equally secured under this indenture. The Series "F" 5% Bonds due

March 1, 1977, are outstanding in the amount of $95,000,000 and is the largest of the five issues. The Series "F" bonds are redeemable on any interest date after March 1, 1932, through March 1, 1972, at 105 and thereafter at 100 plus a premium of ½% for each unexpired 6 months to maturity. The bonds were originally issued in February, 1927, at 100 and interest.

In the five years ended December 31, 1930, earnings of the company available for fixed charges averaged more than 1¾ times all fixed charges other than interest charges on bonds junior to the First & Refunding Mortgage Bonds, and in 1930 also amounted to 1¾ times such charges. Total fixed charges were covered on the average about 1½ times in the five-year period and more than 1.3 times in 1930. Due to depressed business and industrial conditions, earnings of course dropped sharply during this latter year and does not therefore represent the normal earning power of the system.

Gross operating revenues for the full year 1930 were $120,187,689 a drop of 14% from the $139,807,914 reported for 1929. After operating expenses, taxes, etc., and crediting other income there remained available in 1930 for fixed charges $25,742,495 against $30,001,390 in 1929 or a decrease of 14.2%. Fixed charges other than on junior bonds amounted to $14,488,444 which were therefore covered 1.78 times, while the total fixed charges of $19,028,884 were covered 1.35 times. In 1929 these charges were covered respectively 2.13 times and 1.69 times.

The capitalization of the Missouri Pacific besides the bonded indebtedness consists of $71,800,100 par value of 5% cumulative preferred stock (on which unpaid cumulative dividends amount to $48.25 a share) and $82,839,500 par value of common stock. Of the total capitalization, the junior equity issues comprise 25% while the funded debt comprises the other 75%, a ratio which would indicate that the proportion of the latter is probably somewhat too high compared with the equity issues. Improvement in this respect will probably be undertaken at some future date when earnings of the system are again sufficiently high to warrant better than par prices for the equity issues.

The senior position occupied by the First & Refunding Bonds and the security behind them places them in the class of fairly high grade bonds, considering the status of the company with respect to earnings, present and future. Listed on the New York Stock Exchange, they are currently selling for about 94 at which price they yield 5.35% to maturity.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top, & S. F. Conv. 4s, 1955..	273.3	5.68	110	97	4.1	4.2
New York Central Deb. 6s, 1935........	630.2	3.90	110	107	5.6	4.3
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	98	4.6	4.7
Pennsylvania 5s, 1964..........	....	4.54	102T	105	4.8	4.7
Great Northern Gen. A 7s, 1936.....(b)	139.8	2.41	....	111	6.3	4.7
Central Pacific Guar. 5s, 1960.......(a)	....	2.72	105 ('35)T	104	4.8	4.8
Illinois Central 4¾s, 1966..........	....	1.85	102½ ('36)T	98	4.8	4.8
Southern Railway Dev. & Gen. 6s, 1956.	133.8	2.23	....	112	5.4	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	X	105	105	5.2	5.2
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	2.21	105	104	5.3	5.3
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.70	105A	95	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	109	5.5	5.3
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.48	110 ('36)	112	5.4	5.4
Wabash Ref. & Gen. 5½s, 1975......(a)	61.6	2.08	105A ('35)	100	5.5	5.5
Balt. & Ohio Ref. & Gen. 6s, 1995 (a)	285.3	2.03	107½A ('34)	110	5.5	5.5
Central of Georgia Ref. 5½s, 1959......	30.9	1.57	105A ('34)	97	5.7	5.7
Western Pacific 1st 5s, 1946........(b)	....	1.25	100	93	5.4	5.7

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.26	105T	103	4.9	4.7
Utah Power & Light 1st 5s, 1944......	....	2.83	105	102	4.9	4.8
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.40	106T	106	5.2	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87	....	100	5.0	5.0
Montana Power Deb. 5s, 1962.......(a)	33.3	3.14	105T	100	5.0	3.0
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	2.76	105	100	5.0	5.0
Arkansas Power & Lt. 1st & Ref. 5s. 1956 ....(c)	2.0	2.45	105	97	5.2	5.2
Columbia Gas & Elec. Deb. 5s, 1952....	....	4.62	105T	98	5.1	5.2
Detroit Edison 1st & Ref. 6s, 1940...(b)	14.0	3.27	107½T	105	5.7	5.3
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" ....(a)	8.4	2.20	110	106	5.7	5.4
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.53	110	104	5.8	5.8
New Orleans P. S. 1st & Ref. A 5s, 1952 ....(a)	9.7	1.82	104	89	5.6	5.9
United Lt. & Rys. 1st Conv. A 6s, 1952 ....(b)	11.3	1.40	(N)	101	5.9	5.9
Standard Gas & Elec. 6s, 1935.........	432.2	1.60	103	100	6.0	6.0
Standard Gas & Elec. 6s, 1966......(b)	432.2	1.60	105T	98	6.1	6.1
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.53	105	83	6.6	7.0

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Midvale Steel & Ord. Conv. Coll. 5s, 1936 ....(a)	....	4.77	105	102	4.9	4.6
Gulf Oil Deb. 5s, 1947..........(c)	....	13.04	104AT	103	4.9	4.7
Allis Chalmers Deb. 5s, 1937........(a)	....	6.29	103T	101	4.9	4.8
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	6.86	105T	103	4.9	4.8
Sinclair Pipe Line 5s, 1942..........(a)	....	6.33	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48.(a)	....	12.74	105T	101	5.2	5.2
Purity Bakeries 5s, 1948..........	0.6	10.40	103½	96	5.2	5.4
Chile Copper Deb. 5s, 1947..........(a)	....	10.20	102T	95	5.3	5.4
International Match Deb. 5s, 1947...(a)	....	9.81	109H	92	5.4	5.8
Amer. Cyanamid Deb. 5s, 1942..........	0.3	10.58	100	92	5.4	5.9

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32...(b)	....	13.59	102½A	102¾	5.4	3.6
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	34.45	101T	102½	6.3	5.3
Middle West Utilities 5s, 1933...........	881.6	1.39	101½	97	5.2	6.4

Convertible Bonds

		Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atch., Top. & S. F. Deb. 4½s, '48..	Com.@166.6	5.68	102	121	3.7	2.9
N. Y., N. H. & Hart. 6s, '48......	Com.@100	2.39	....	116	5.2	4.7
Baltimore & Ohio Conv. 4½s, '60....	Com.@120(h)	2.03	105	97	4.6	4.7
Texas Corp. 5s, 1944..................	Com.@70	18.08	102T	100	5.0	5.0
Chesapeake Corp. Col. Tr. 5s, '47...	C. & O.@106	2.84	100	100	5.0	5.0
Chic., Rock Island & Pac. 4½s, 1960.	......	2.19	105 ('36)T	91	4.9	5.1
Inter'l Tel. & Tel. Deb. 4½s, '39...	Com.@63.9	3.07	102½	92	4.9	5.7
Amer. Inter'l Corp. Deb. 5½s, '49...	Com.@80	1.49	105	93	5.9	6.1
Assoc. Gas & El. Conv. 4½s, '49 (K)	......	1.69	103T	68	6.6	7.8

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. *On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock. (N) Not callable until 1948.

RAILROADS

ATCHISON, TOPEKA & SANTA FE

Among the Strongest of the Rails

Conservatively But Aggressively Managed, Strong in Cash and Government Securities

By PIERCE H. FULTON

"I THINK that it is a good thing in times like these to keep strong in cash and Government securities. We are going ahead as usual with the running of our railroad."

These statements were made to the writer last Spring when the business depression in this country had been on for four or five months, by E. J. Engel, vice-president of the Atchison, Topeka & Santa Fe Railway Co., who some day may succeed W. B. Storey as president.

We had been discussing the effects of the depression on railroad earnings, following the new high record figures for the first ten months of 1929. Mention had been made also of the reports in circulation that some of the roads already were cutting operating expenses rather sharply and curtailing improvement and betterment work proportionately. This led Atchison's vice-president to observe that it was "going ahead as usual" with respect to both these mediums of outlay.

Necessary Curtailment

Atchison did continue that policy until the end of May. By that time, operating revenues of that company having decreased $9,615,851 and net railway operating income $12,472,305, and it being apparent that railroad earnings would not pick up substantially during the last half of the year, as had been generally expected by railway executives at the beginning of the year, but, on the other hand, would continue to decrease, the management decided to reduce expenses materially.

The changed policy was put into effect beginning with June and continued until the end of the year. It resulted in a reduction in operating expenses for

On its long record as a leader among the strong rails, Atchison deserves the consideration of every thoughtful investor.

the full 12 months of $15,322,614 compared with 1929. The amount would have been much larger if the Atchison had started cutting in February and March as many of the roads did. In that event, of course, net railway operating income would have been correspondingly increased.

Keeping "strong in cash and government securities" has been the policy of the Atchison for many years, particularly as to the latter, ever since those securities became available in such large volume early in the World War. That Mr. Engel and his associates had reason to feel especially sure of the reasonableness of their policy early in 1930 is clearly shown by a glance at the balance sheet as of December 31, 1929. Then cash stood at $36,653,238 and government securities at $44,834,900, the two together making the huge sum of such items of $81,488,138.

A further glance at the balance sheet would have disclosed an excess of current assets over current liabilities of $47,226,905, which constituted the company's working capital at that time. Profit and loss surplus had reached the gigantic total of $402,754,860, or nearly $37,000,000 more than the common stock outstanding.

No wonder Mr. Engel said in the Spring, "We are going ahead as usual with the running of our railroad." But the decline of $9,615,851 in operating revenues and of $12,472,305 in net railway operating income for the first five months of last year and the slump of $40,768,233 in the former item and of $23,775,864 in the latter for the year as a whole, fully justified the change in policy. As it was, Atchison earned its $10 dividend on common stock from operation, without taking any account of income from other sources. How many railroads did this in 1930? Count them as their preliminary reports are made public and you will not find many. Except for the big reduction in operating expenses during the last seven months of the year, the results for the full period would have been quite different.

Treasury Resources

Although in 1930 around $30,000,000 was expended out of treasury resources for new equipment (Atchison has no equipment trust certificates outstanding) and for improvement and betterment work, it was possible to close the fiscal year with cash of about $32,692,900 and government securities with a value of approximately $18,486,000, a total of nearly $51,180,000. This was a decrease of nearly $4,000,000 in cash and $30,182,499 in government securities compared with December 31, 1929. How many railroad executives and directors in the United States are there who would like to have their companies in such a position at this time, with earnings still decreasing at about the same rate as for the last few months of 1930? Pretty much all of them.

Northern Pacific comes rather close to the position of Atchison in this respect. At the end of last year it had nearly $14,000,000 cash in its treasury, while the Northwestern Improvement

Co., all of whose stock Northern Pacific owns, had in its treasury roundly $20,000,000 cash and government securities. Union Pacific, of course, is also particularly strong in cash and treasury securities, but the latter are those of other railroads which E. H. Harriman bought as part of a well-developed program to shape the policy of roads that he thought could be of special benefit traffic-wise to Union Pacific.

Strongly Protected Dividend

Although the annual dividend rate on Atchison common is $10 a share it could be maintained this year out of present treasury resources if not a single cent were earned on that issue. To pay the common dividend takes in the neighborhood of $24,162,930. If the entire amount were taken out of cash and government securities in the treasury as of December 31, last, there would still be left over $27,000,000 for other corporate purposes. Of course, the Atchison has millions of other treasury assets. Unfavorable as railroad earnings were for January of this year, it is unthinkable that Atchison will not earn the greater part, if not all of its $10 dividend this year.

President Storey, when in New York for the February meeting of directors, said that operating expenses could be reduced still further than they were during the last seven months of 1930. At that time he did not see the necessity of making a further cut. Operating expenses for last December were down to about $11,691,930. This figure was in comparison with $15,106,498 for the corresponding month of 1929. Atchison's president was inclined to think, furthermore, that in the neighborhood of $11,500,000 should be regarded as the approximate minimum for the company's operating expenses for each month on the average, with conditions the way they are now.

He reiterated that a lower figure could be arrived at but that the management did not wish to do anything of this kind unless conditions become much worse than at present, but, on the contrary, to maintain the property at a high standard. He called attention to the fact that already track laying for the present year had been begun and that it and other kinds of betterment and improvement work would go forward from this time on as weather conditions permitted, until the program for this year was completed. Mr. Storey admitted, however, that not as much money as usual would be spent in 1931 for work of this kind.

Still, he made it perfectly clear after the January meeting of the board, at which the budget for this year was approved, that he and his associates had no intention of "scrimping" the property. As a matter of fact, the budget, including carryover from previous year, which called for a total outlay of $42,500,000, was nearly as large as for 1930. Rail laying and track improvements, $1,400,000, yard improvements, $2,100,000 and bridges $1,000,000 were among the principal items. Atchison has placed orders for 60,000 tons of heavy steel rails and for 1,300 freight cars, latter to cost about $5,000,000, both for 1931 delivery.

Meeting New Competition

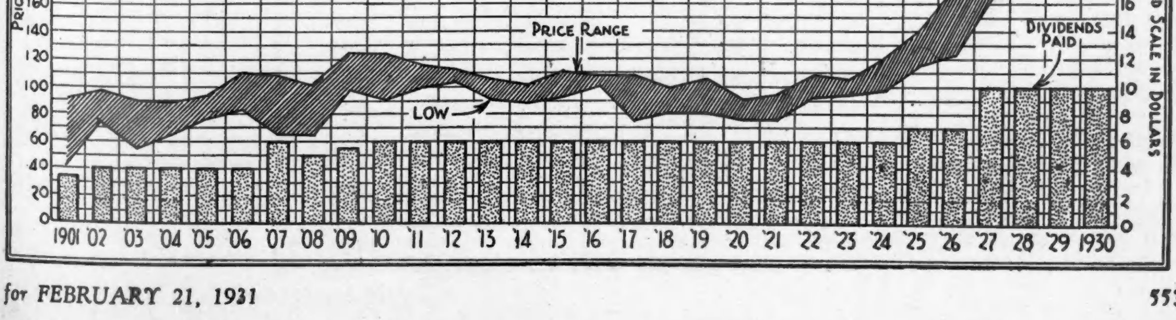
The Atchison management is keenly alive to changes in conditions with which the railroads are confronted. It has made a close study of bus competition and decided some time ago that Atchison would not enter extensively into the running of buses, as it would be unprofitable. They are used only to cover special situations. The same is true with respect to trucks. President Storey and his associates believe in competing with the bus with passenger trains. In pursuance of this policy some time ago Atchison cut its coach and tourist sleeper rates from Chicago to San Francisco, as an experiment, to determine whether the people would ride again on the trains if the rates were low enough. Vice-President Engel says that because of the general business depression passenger traffic of all classes and on all kinds of cars and trains has fallen off to such an extent that it has not been possible to make an altogether fair test.

Several other railroads have reduced their coach fares between given points for a limited time to decide the question just mentioned in the cut in Atchison rates from Chicago to San Francisco. All these reductions were on a purely experimental basis. Recently, however, St. Louis-San Francisco Railway, after having had an experimental cut in effect for several months between St. Louis and Memphis, put in a 2-cent coach fare on its entire system. The application was opposed by competing lines but approved by the I. C. C. Seven other roads, including Atchison, have met the new rate. It will be extremely interesting to note the extent to which coach travel is increased in the rather far-flung area served by the Frisco Lines and that of its competitors.

Growth Within Itself

Much has been said about the Atchison, the excellent condition of its physical property, the strong position of the company financially and the high degree of efficiency of its management. Take a glance at the history of this great railroad enterprise and at the map for its geographical position. The

(*Please turn to page* 581)



STANDARD GAS & ELECTRIC CO.

A Utility of National Dimensions

Four Mediums Available for Investment in System's Equity

By FRANCIS C. FULLERTON

A UNIQUE situation exists for the investor who, when the time is ripe, wishes to purchase into the equity of the Standard Gas & Electric system—four different mediums are available for him from which to choose and commitments can be made at widely varying prices to suit his purse. The simplest and most direct way of investing in the Standard Gas & Electric Co., of course, consists in buying these shares themselves, which are currently selling for 72 on the New York Stock Exchange.

For a little more than half of this price, however, the prospective investor can purchase a share of Standard Power & Light Corp. which controls the Standard Gas & Electric Co. through ownership of the majority of the common stock and which is at present selling for approximately 40. Standard Power & Light Corp. in turn is controlled through ownership of over 70% of the equity shares by United States Electric Power Corp. and the shares of the latter are obtainable on the New York Curb Exchange at 6, or only one-twelfth of the price of Standard Gas & Electric Co. common stock. Finally, the United Founders Corp., together with its subsidiaries control over 50% of the equity shares of the United States Electric Power Corp. and its shares are at present selling for slightly above 9 or only one-eighth of the price of the Standard Gas & Electric common stock.

While essentially all of the above represent the equity of the Standard Gas & Electric system, differences of course do exist among them, particularly pertaining to the extent of the equity in each case. The farther the company is removed from the actual properties, the thinner the equity. For one thing, the intrusion of senior issues such as bonds and preferred stocks in the succeeding companies has the effect of progressively diluting the earnings. A change in earnings on the operating properties is magnified with each successive holding company, an increase being greatly enlarged in terms of per share earnings, or on the other hand, if operating earnings decrease, the net may disappear entirely somewhere in the pyramid.

Control Compromise

The series of holding companies built on top of the Standard Gas & Electric Co. (see accompanying diagram), came about as a result of a shift in control of this huge utility system in 1929 and 1930. One of the chief changes in the capital set-up was the reversal of the positions of Standard Gas & Electric Co. and of the Standard Power & Light Corp. The former company was previously the holding company for the latter, but in January, 1930, Standard Power & Light Co. sold to Standard Gas & Electric Co. all its property and assets, including over 94% of the common stock of the Philadelphia Co. and holdings in the stock of the Market Street Railways Co., San Francisco, and in bonds of Sierra & San Francisco Power Co.

In exchange for these assets, Standard Gas & Electric Co. assumed the payment of the principal and interest of the $24,000,000 Standard Power & Light 6% debenture bonds, paid cash equivalent to the value of the latter's cash, receivables and marketable securities, and issued to Standard Power 220,000 shares of its own $7 prior preference stock and 600,000 shares of the common stock. The transaction also involved the surrender to Standard Power of a block of its own participating preferred stock.

Standard Power & Light acquired an additional 580,000 shares of Standard Gas common from the United States Electric Power Corp. in exchange for 880,000 shares of the first named company's common stock. Standard Power, therefore, owns the controlling stock of Standard Gas & Electric Co., having acquired through these transactions a total of 1,180,000 shares, or more than 54% of the 2,162,607 shares now

Earnings of Standard Gas & Electric System

	Gross Revenues	Net Available for Common Stock	Earned Per Share
1930 (12 mos., Sept. 30)	$173,972,420	$12,523,075	$5.79(1)
1929 (12 mos., Sept. 30)	170,982,655	9,740,867	6.23(2)
1929	172,762,746	10,298,053	6.59
1928	165,179,063	9,328,697	6.57
1927	158,249,541	8,275,081	5.83
1926	166,453,374	8,065,796	6.92

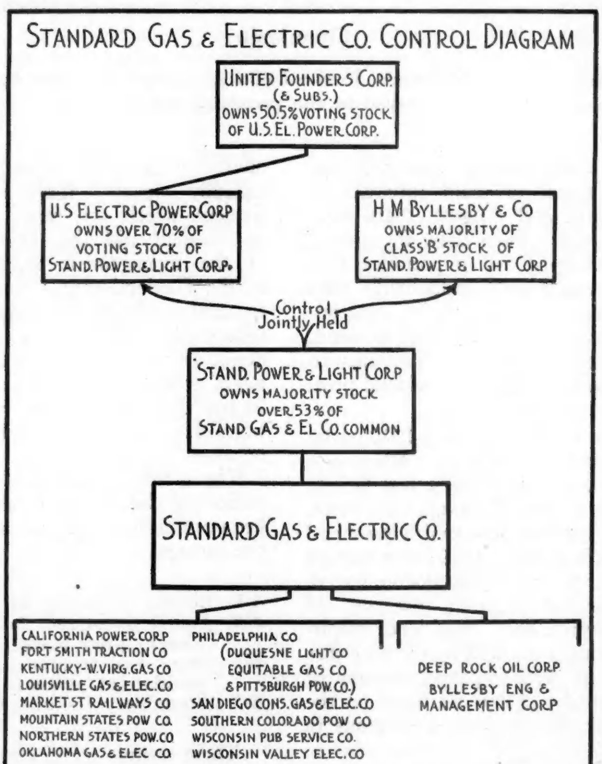
(1) On 2,162,607 common shares. (2) On 1,562,607 common shares.

outstanding. The net result of these organization changes has strengthened Standard Gas & Electric Co. from the point of view of a utility holding company as it now controls directly important subsidiary companies such as Philadelphia Co. which was formerly less directly controlled through Standard Power & Light. The latter, however, now is the top holding company.

Behind this whole realignment scheme is the purpose of the two major banking groups to arrange a satisfactory method for dividing control of the utility system. The one banking group organized the United States Electric Power Corp., and consists of the United Founders Corp., Harris-Forbes & Co. (now affiliated with the Chase National Bank), W. C. Langley & Co., Albert Emanuel Co., Inc., and certain foreign interests through J. Henry Schroder Banking Corp., and the Hydro-Electric Securities Corp. Subsequently, the Koppers Co., a Mellon affiliate, acquired a substantial interest in the company. The United States Electric Power Corp. owns 1,222,298 shares of the 1,320,000 shares of common stock outstanding of Standard Power & Light Corp.

The other banking group, H. M. Byllesby & Co., owns a majority of the series B common stock of Standard Power & Light Corp., to be exact 330,000 shares out of a total of 440,000 shares outstanding. Both classes of stock have the same rights as to assets and dividends, share and share alike, but the common stockholders (United States Electric Power Group) have the right to vote the majority of the directors of Standard Power & Light Corp., while the series B shareholders (H. M. Byllesby & Co.) have the right to elect the majority directors of Standard Gas & Electric Co.; of the earnings and asset equity, however, the United States Electric Power Co. has more than a 70% interest in Standard Power & Light, as against only about 19% for the Byllesby group. The latter, however, through this compromise agreement are still in control and active management of the Standard Gas & Electric properties.

The dominant interest in United States Electric Power Corp. now is the United Founders Corp. which last year in addition to its original interest in the company acquired through open-market and private purchase sufficient common and class A stock of the first named company to give it control. The most recent figures place United Founders' holdings at about 52.7% of the entire amount of both classes of stock outstanding. Of the class A stock of U. S. Electric there are 2,000,000 shares outstanding, and of the common stock 6,380,720 shares. The class A and the common share equally share for share in all respects as regards dividends and in liquidation, but the former has as a class voting power equal to the total votes appertaining to the remaining outstanding stock of the corporation.



The picture of the complete capital set-up is unquestionably an involved one, but can be much more easily grasped if it were segregated into two divisions. The first would consider the capital structure only up to and including the Standard Gas & Electric Co., while the second would include the companies built up on top of this chiefly for the purpose of dividing control among the various banking groups. In both divisions, considerable can be done in the future to simplify the structure, and no doubt when conditions are favorable such a program will be undertaken.

The public utility properties under the Standard Gas & Electric banner comprise one of the largest and most extensive of any utility system in the country. A total of 1,630 communities are served with a combined population of 6,300,000 in 20 states, and the territory includes several of the most important industrial districts as well as vast rural areas. Among the larger cities receiving services are Pittsburgh, Pa; Louisville, Ky.; the "Twin Cities"—Minneapolis and St. Paul; Sheboygan and Oshkosh, Wis.; Oklahoma City, Okla.; Fort Smith, Ark.; Pueblo, Colo.; and San Diego, Calif.

At one time, the system controlled gas and electric properties in the San Francisco district but as possibilities for expansion in this section were limited by the strategic position of Pacific Gas & Electric Co., these subsidiaries were sold to the latter organization, Standard Gas receiving $2,000,000 in cash and 260,000 shares of Pacific Gas & Electric common stock.

Besides the utility properties, Standard Gas also controls a petroleum subsidiary, Deep Rock Oil Corp. (formerly the Shaffer Oil & Refining Co.), an important unit in the oil industry with complete producing, refining, transportation, distributing and marketing facilities. The refinery, with capacity of 10,000 barrels, is located at Cushing, Okla., and is modern.

The utility properties produce by far the major portion of the system's revenues. The most recent period for which complete information is available, including the oil subsidiary, covers the twelve months ended September 30, 1930, and shows total revenues of $173,972,420 of which $154,641,424 or 89% were from utility services. These total gross revenues were 1.7% greater than those for the corresponding period of 1929, chiefly due to higher utility revenues. Further analysis reveals that the utility revenues are derived approximately 60% from electric power and light, 16% from gas, 21% from transportation, and the remainder from miscellaneous services. After all prior charges including depreciation and provision for minority interests, the net earnings available for the common stock of Standard Gas

(Please turn to page 581)

Dividend Prospects in 1931 for Leading Industries

Part Two

Dividend Prospects and Rating for:

Steels	**Oils**	**Tobaccos**
Metals	**Foods**	**Equipments**
	Chemicals	

Part One Covering Railroads, Public Utilities, Automobiles and Accessories appeared in the preceding issue

IN the many years we have prepared semi-annual dividend forecasts in February and August, there have been few times when these forecasting surveys assumed the importance that they do currently. Many investors will undoubtedly take advantage of low prices as soon as business shows some improvement and the market demonstrates a definite uptrend, but before doing so it will be well rewarded prudence to carefully scrutinize the margin of safety and dividend prospects which lie behind the attractive yields.

The dividend rates of the average company in 1930 moreover cannot be taken as an infallible standard. Whereas it was admittedly a year of adverse conditions it was largely a year of hopes. Successively shattered though they were, it was these hopes of nearby improvement which sustained many dividend rates at the high levels of 1929, even though earnings did not always justify payments. Reductions were forced in some cases it is true, but generally speaking, old rates were maintained and even a few "confidence inspiring" extras were paid. All this is attested by the fact that total dividend disbursements in 1930 surpassed the sum of 1929 despite the fact that nearly 150 stocks listed on the New York Stock Exchange made downward revisions in their rates during the year.

Now, however, directorates face a new year and, after the chastening of the past 18 months, may be disposed to pattern dividend policies in strict accordance with conditions. If recovery manifests itself in the various industries. early enough, present rates may be maintained, otherwise some adjustments to current earning rate is probable in many companies.

As we have frequently pointed out it is a time to give special attention to industrial trends as well as to evaluate not only current earnings, but those in prospect. In this connection the Dividend Forecast should prove of great value at present and for several months to come.

It seems desirable to emphasize the point that our ratings of dividend possibilities are intended to point out *possibilities* rather than *certainties*. Although statistical proof may be offered of dividend action that may be logically expected, there is always an element which can never be forecast in advance and that is the attitude of the management toward changes in the dividend rate. A company may be in a position to raise or lower the dividend, but such action, though inherently logical, may be postponed long after it might be expected in view of special circumstances that might arise and thus influence the management's viewpoint. In this dividend forecast, we have noted only the possibilities although such dividend action as presented should materialize.

The tables are designed therefore with an eye toward indicating dividend possibilities in the first place, and market possibilities in the second. The latter are indicated by the ratings:

A-1 Should eventually be worth more on intrinsic value.
A-2 Sound investment holding with limited attraction on current price basis.
B-1 Issue has inherent merit but occupies speculative position at present.
B-2 Stock occupies uncertain speculative position.

These ratings are based on reasonably long range investment considerations. They deal with the intrinsic merit of the issues and are not designed to suggest immediate market action. For example, an A-1 rating is not a recommendation for present purchase but rather indicates that the issue should advance under favorable market and industrial conditions and hence might be a sound investment to be acquired in periods of market weakness or when the trend price is definitely established on the up side.

Wherever the figures have been available, we have indicated the 1930 earnings, in other cases they have been estimated. Such estimates, of course, in the nature of things cannot be considered as exact figures and some allowance should be made for deviation from the figures to be ultimately published by the companies themselves.

To Those Interested in Brockway Motor Trucks

A two-line comment in the table on motor stocks, which appeared in the February 7, 1931 issue, erroneously stated that the Brockway Motor Truck Corp. was in receivership. A creditors' committee has been formed, but there is no receivership and the company is now operating and has not ceased operations. This publication regrets the error made in this respect.

Steel Companies Face Trying Period with Gradual Improvement Probable

WITH the close of 1930, the steel industry wrote "finis" to an exceedingly poor year—certainly at least an exceedingly poor latter half. The first six months in the light of subsequent events can be considered fairly satisfactory. It is, therefore, with some disappointment that we find 1931 beginning somewhat unpropitiously with ingot production for the country, as a whole, running slightly above 40% of capacity. Recently, it is true, there has been a pick-up to nearly 50% of theoretical capacity, but it is to be doubted whether this can be considered more than seasonal, and the betterment is even considered by some to have been sub-normal. Part of the blame for the slow start may be placed on the cautious attitude of buyers, who are not to be misled into excessive optimism as they were in the Spring of 1930 and for this reason the trend during the present year is likely to be one of gradual improvement, rather than a sudden spurt followed by a precipitous decline. It should be noted that stocks of steel in fabricators' hands are currently small and that any increase in consumer demand will be immediately reflected in producers' operating schedules.

Specifically it is expected that the demands for steel from the automobile industry will be moderately in excess of last year's requirements. Manufacturers of pipe also ought to enjoy a fair degree of prosperity, although the oil industry will probably require a somewhat lower tonnage than during 1930. Activity in the construction of municipal water and gas mains, etc., which has been running at high levels, is dependent upon the bond market, now somewhat upset by the movement to cash the soldiers' bonus. The railroads, which it will be remembered rather overdid their maintenance expenditures in accordance with President Hoover's plea for depression stabilization, will probably consume less steel during the current year than during 1930. Steel for construction purpose will probably meet increasing demand as the year advances, although this again depends to a large extent upon developments in the bond market. Shipbuilding, under the influence of government loans, enjoyed considerable prosperity last year and the outlook is for this to continue. Summing up then, steel production during the current year is likely to be close to the tonnage produced last year—possibly slightly greater.

One of the most alarming developments of 1930 was the tendency to cut prices. This, however, was remedied by the concerted action of several large producers last fall and prices in general are now slightly higher than the low levels established in December. As an offsetting factor to the low prices, there is the growing efficiency of modern science. With output then close to that of 1930 and stabilization of prices at their current levels it is expected that the earnings of the larger steel companies for 1931 will not be below those of last year, although no phenomenal increase can be anticipated.

This outlook, coupled with a marked reluctance to cut dividends, as was evidenced by the action of Bethlehem Steel Corp. in declaring the regular quarterly dividend on the common stock payable February 16, despite the fact that it was not then being earned, would indicate that the steel industry has already done most of its dividend cutting and that the vast majority of the present rates may be considered reasonably assured. Extras, this year, however, will be few and far between.

Position of Leading Steel Stocks

	Earned per Share		Price Range —1930—		Recent	Divi-	Yield	Market	
	1928	E1930	High	Low	Price	dend	%	Rating	COMMENT
American Rolling Mill	4.24	1.20	100⅝	28	30	2.00	6.6	B-1	Dividend likely to be maintained with normal business betterment.
Bethlehem Steel	11.01	x5.26	110¼	47⅝	60	6.00	10.0	A-1	Dividend safe unless business turns drastically worse.
Byers (A. M.)	5.81	†2.78	112⅜	33⅛	52	....	..	B-1	Dividends likely in a year or two.
Colorado Fuel & Iron	6.43	2.00	77	18¾	27	1.00	3.7	B-2	Dividend already cut. Should be able to maintain present rate.
Crucible Steel	11.66	3.50	93⅝	50⅛	63	5.00	7.9	A-2	Reasonable improvement in general business should make the dividend secure.
Gulf States Steel	5.93	x nil	80	15	26	....	..	B-2	Earnings off. No dividend expected this year.
Inland Steel	9.81	x5.41	98	58	64	4.00	6.2	A-1	Present dividend amply covered.
Ludlum Steel	3.69	nil	44⅞	9¼	17	....	..	B-2	Dividend outlook obscure.
National Steel	6.07	x4.05	62⅛	41	52	2.00	3.8	A-1	Present dividend covered by good margin. Should be assured.
Republic Iron & Steel	8.53	nil	79½	10⅛	19	....	..	B-1	Merger difficulties. Will take time to consolidate position and warrant the resumption of dividend payments.
Smith (A. O.)	14.43	‡10.66	250	120¼	158	2.00	1.2	A-1	Could easily pay considerably more, despite present depression.
Spang-Chalfant	4.77	2.50	37¾	19⅞	25	....	..	B-2	Dividends depend upon an improvement in business.
U. S. Pipe & Foundry	2.74	3.90	38¼	18⅛	32	2.00	6.2	A-2	Earnings holding up very well. A small extra not an impossibility.
U. S. Steel	21.19	x9.12	198¾	134⅝	147	7.00	4.7	A-1	Present dividend safe, but extras are somewhat remote.
Vanadium	4.91	3.20	143¼	44⅝	60	3.00	5.0	B-1	Earnings barely cover present rate, although this is unlikely to be cut unless business turns for the worse.
Youngstown Sheet & Tube	17.28	6.00	150¼	69½	73	5.00	6.8	A-1	Dividend assured, but merger prospects are more interesting than dividend prospects in this issue.

E—Estimated. x—Actual earnings. † Fiscal year to Sept. 30, 1930. ‡ Fiscal year to July 31, 1930.

Mining and Metal Companies Suffering from Depressed Prices

THE ills which afflict the non-ferrous metal mining industries find their cause primarily in the sharp drop in consumption brought about by the world-wide depression. Despite the fact that output can be controlled by the managements and therefore the situation is unlike that in agriculture where output to a large degree depends on the bountifulness of nature, the non-ferrous metal industries are nevertheless addicted to inertia when it comes to aligning output to demand quickly enough to prevent demoralization. Consequently stocks of metal on hand increase rapidly and become a burden on the market even after general industrial activity again recovers.

The nature of the various non-ferrous metal industries makes them as a group one of the most volatile of any from an earnings standpoint. The year 1930 was the "pauper" year periodically experienced and it will probably not be until well along in the period of general industrial recovery that prosperity will be restored. This is particularly true because the accumulations of stocks on hand must be disposed of, and also because the various entities in the non-ferrous metal industries are only too quick in increasing their rates of operation or in resuming if they have shut down altogether.

Copper production last year, for instance, was curtailed only 16%, with total world output placed at 1,769,635 tons against 2,104,110 tons in 1929, but in the meantime stocks of the metal increased to over 625,000 tons, or almost twice a normal carryover. The extremely low price of copper in recent months, moreover, has forced a considerable portion of the producing capacity to curtail or close down, but as soon as conditions warrant, a factor which hinges chiefly on price, production will no doubt be rapidly resumed. The recent price level of 9½ cents per pound, the lowest in some 35 years, permits only the low cost producers to make profits, but sooner or later a balance will be reached in the industry which will place it on a sounder basis.

Lead, after holding up relatively well in 1930, finally succumbed toward the last of the year and has recently slumped further to 4½ cents per pound,

Position of Metal and Mining Stocks

Company	Earned per Share 1929	Earned per Share 1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Alaska Juneau	0.82d	0.80d	9⅛	4⅛	9	0.40	4.5	B-1	Last year paid off bonded debt entirely and common is now on dividend basis. May be increased later.
Amer. Smelt. & Ref.	10.02	2.74(1)	79⅛	37⅛	45	4.00	8.9	B-1	Current earnings probably below dividend requirements, but present rate may be maintained.
Anaconda	7.83	3.00e	81⅛	25	33	2.50	7.6	B-1	The Chile mine owned by co. is lowest cost producer in world. Even at reduced operations, may be able to cover dividend.
Calumet & Arizona	9.17	1.78(2)	89⅞	28⅝	38	....	..	B-1	Dividend passed last year. Medium cost producer, and requires better copper prices to show earning power.
Calmuet & Hecla	2.65	0.04(2)	33⅜	7¾	9	....	..	B-1	Can earn little at current prices for copper, as costs are moderately high.
Cerro de Pasco	4.21	NF	65⅝	21	24	2.00	8.3	B-1	Exceptional financial position will enable company to continue dividends of some sort for a long time.
Granby	6.23	3.00e	59⅞	12	16	2.00	12.5	B-1	Is reducing costs of production, but current low price of copper may force another reduction of dividend.
Homestake	4.16	NF	83	72	83	8.00	9.6	A-2	Conditions for gold mining now more favorable than for many years. Depreciation and depletion charges heavy.
Howe Sound	7.38	4.09	41⅞	20	23	4.00	17.4	B-1	Current earnings below dividend rate; reduction in rate probable soon.
International Nickel	1.47	0.58(2)	44⅜	12⅜	15½	0.60	3.9	A-2	Depressed prices for nickel and copper have curtailed earnings. Dividend reduced from $1.00 recently.
Inspiration	4.02	NF	30⅞	6⅜	7⅛	....	..	B-1	Comparatively a high cost producer, with little earning power at present price of copper.
Kennecott	5.63	NF	62⅜	20⅛	23	2.00	8.7	B-1	Controls low cost producing properties and in good position. Present rate will probably be maintained.
Magma	7.36	1.97(2)f	52⅛	19⅛	21	3.00	14.3	B-1	Fairly low cost copper producer, but low silver prices affect costs. Dividend may be reduced.
Miami	5.55	NF	33⅜	7	8⅛	....	..	B-2	A high cost producer which must await better copper prices to show earnings.
National Lead	25.49g	NF	189⅛	114	123	5.00	4.1	A-2	Largest consumer of lead and tin in world, chiefly for paint materials. Earnings down sharply in 1930, but dividend likely to continue.
Nevada	3.60	0.52(2)f	32⅜	9	11	....	..	B-1	Has made progress in cutting costs, but even so better prices for copper than current level necessary for earnings.
Patino Mines & Ent.	3.31	loss	32⅜	8⅛	11	....	..	B-1	Record low prices for tin have caused earnings to vanish.
Phelps-Dodge	2.68	0.54(1)	44⅜	13⅜	21	2.00	9.5	B-1	Has further integrated in 1930 by acquisition of fabricators. Earnings considerably below current dividend rate.
St. Joseph Lead	4.99	1.04(1)	57⅛	19⅛	25	2.00	8.0	A-2	Curtailment and lower prices for lead cause diminished earnings. In December omitted extras.
U. S. Smelt. & Ref.	5.31	2.93(3)	36⅛	17⅛	19	1.00	5.3	B-1	Diversified operations in mining and smelting. Earnings holding up relatively well.

d—Before depreciation. (1)—For six months ended June 30th. (2)—For nine months ended Sept. 30th. (3)—For eleven months ended Nov. 30th. e—Estimated. NF—No figures available. f—Before depletion and Federal Taxes. g—Including non-recurring profits.

the lowest price since 1922. Although production was curtailed to some extent, world output was down 5.2% from 1929, stocks on hand in the United States doubled, from 51,076 tons at the beginning of 1930 to 103,247 tons at the end of that year. Under current conditions, profits for the leading companies will be severely restricted.

Zinc production in 1930 was curtailed less than 4%, and stocks on hand in this country practically doubled during the year. The price has slumped to a level lower than at any time in at least the last two decades. Modern metallurgical processes have made available many sources for this metal not previously profitable commercially. Tin is in the same boat with the rest of the non-ferrous metals, suffering from lack of demand and extremely low prices. A restriction plan is being talked of in the industry.

Practically every company in the non-ferrous metal mining industry either reduced the dividend rate last year or passed it entirely. Further revisions in individual cases are in prospect this year. Improvement and better earnings await a general industrial revival and until such time, the mining companies will be hampered in their operations. If the depression is prolonged, suspensions by the higher cost producers will unquestionably occur to save them from operating losses.

Diversified Chemicals Show Their Strength

THE chemical industry during 1930, despite being affected to some extent by the general business depression, made a relatively good showing, although it must be admitted that the year's results were colored by a high degree of activity in the first half, while later there was a quite noticeable recession. A glance at the accompanying table will show, with few exceptions, that the earnings of the more important companies have been well sustained under the trying circumstances existing. Particularly is this so in the case of those companies whose interests are most diverse. In other cases such as U. S. Industrial Alcohol and the carbon companies, lack of diversification and too great dependence upon one main line, which happens to have been depressed, has resulted in earnings considerably under those of the previous year.

Until recently constant scientific progress, not only in the development of new products but in steadily reducing the cost of old ones, and a continually broadening demand have been factors assuring chemical prosperity. Now, however, a slackening demand, coupled with uncurtailed plant expansion and the further utilization of by-products by companies other than those classified as chemicals, has resulted, in a state of severe and general competition, particularly in regard to standard output. The growing use of substitutes has accentuated this condition. Prices have declined—in some cases precipitously and, although there is evidence of stability at present levels, the general margin of profit has been materially reduced. Clearly, the next move on the part of the industry is to reduce costs still further and to produce still more new products. If this can be done—and there is no reason why it should not—the future is assured. The industry has in its favor even now an immensely important factor. Its activities are fundamentally basic. Modern industry is founded upon chemicals, chemical combinations and chemical reactions, and as one sees the first real rift in the present cloud of depression so will one notice improvement in chemical business.

In regard to dividends, the industry, for the most part, has pursued an ultra conservative policy, with the result that the present depression has caused but few reductions and there is no reason to suppose that the number in prospect is other than exceedingly small. The custom of the industry, however, to declare extras rather than to establish a high regular rate may be curtailed somewhat. This is a fortunate condition, as the mere omitting of an extra even though the payment be a consistent one, has a very much smaller unfavorable psychological affect upon the stockholder and the public in general than has a cut in an established rate.

With the exception of the fertilizer and possibly the alcohol section, there is reason to believe that the chemical industry will reward well the investor who is so situated that intermediary market fluctuations may be ignored. It should be remembered, however, that the industry, although still growing, is rapidly coming of age and growth from here can hardly be as fast as it was in the past.

Position of Leading Chemical Stocks

	Earned per Share		Price Range —1930—						
	1929	E1930	High	Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Air Reduction	7.75	6.00	156⅝	87½	100	3.00	3.0	A-1	Earnings foreshadow the payment of further extras.
Allied Chemical & Dye	12.60	11.00	343	170¼	166	6.00	3.6	A-1	5% extra in stock yearly reasonably certain.
Am. Cyanamid B	1.86†	NF	37	6⅝	10	....	..	B-1	Dividend recently passed. Will undoubtedly re-initiate when expansion has been consolidated.
Anglo Chilean Con. Nitrate	nil	nil	43⅝	7½	11	....	..	B-2	Remote dividend prospect.
Columbian Carbon	7.83	5.00	199	65¼	100	5.00	5.0	B-1	Paid extra of 25c Feb. 2, 1931. Further disbursements of this kind doubtful.
Commercial Solvents	1.51	x1.07	38	14	18	1.00	5.5	B-1	Dividend barely earned, although unlikely to cut present rate.
Davison Chemical	4.04†	NF	43⅝	10	16	....	..	B-2	Near-term dividend payments unlikely.
du Pont de Nemours	6.99	x4.64	145¼	80½	94	4.00	4.3	A-1	Regular rate secure. Extras depend upon receipts from General Motors.
Freeport Texas	5.60†	NF	55½	24½	36	4.00	11.1	B-1	Despite high yield, regular rate fairly safe.
Mathieson Alkali	3.31	3.00	51⅝	30¼	26	2.00	7.7	A-1	Extras not likely without considerable improvement in company's business.
Texas Gulf Sulphur	6.40	5.25	67⅝	40¼	50	4.00	8.0	A-2	The payment of an extra not impossible.
Union Carbide & Carbon	3.94	3.00	106⅝	52½	63	2.60	4.1	A-1	Dividend reduction unlikely.
United Carbon	NF	1.70	84	14⅝	27	A	..	B-2	Cuts rate. Future dividend outlook somewhat uncertain.
U. S. Industrial Alcohol	12.63	3.00	139⅝	50½	68	6.00	8.8	B-1	Although outlook improved, a reduction in the present rate is not impossible.

† Fiscal year. NF—Not available or cannot be estimated. A—Recently declared div. 25c; probably for one quarter only. E—Estimated. x Actual.

Lower Oil Company Earnings Impair Dividend Prospects

THE petroleum industry is courageously attacking the problem of over-production and has started the current year in a more favorable statistical position than it entered 1930. Largely through pro-ration and general conservation efforts, crude oil production was held under 900,000,000 barrels last year in contrast with production in excess of 1,000,000,000 barrels, which established an all time record for output in 1929. The tendency toward curtailment of crude was carried out progressively during the latter part of 1930, the daily average output reaching about 2,200,000 barrels in December of that year compared with the 1929 peak of around 3,000,000 barrels for the daily average.

In a normal year, of course, such curtailment would have placed the industry in a very strong position and lifted the operating profit margin for all divisions of the industry. Due to the decline in demand last year, however, this reduction in output merely served to hold down stocks on hand and prevent demoralization of the entire industry. It was not sufficient to bring better prices for either the producers or the refiners. In fact crude oil prices were at their lowest ebb at the end of the year and refineries were selling gasoline at from 4 to 5 cents a gallon compared with prices of from 7 to 8 cents a gallon in the early summer of 1930. And it was this severe drop in petroleum prices—aggravated in the refining products because of bitter competition and expansion in marketing facilities—that cut into oil company earnings during the latter part of the year.

Recessions in profits induced lower dividend payments by the smaller concerns, starting back as far as the fall of 1930 and extending into the current year. Only the conservative policies on the part of the larger companies has made it practicable for them to maintain their regular dividend payments—few of which were earned by a very comfortable margin and others not earned in full by the profits from last year's operations. Practically all the larger companies have strong financial positions.

In a sense, the petroleum companies may be said to be buying future prosperity out of current profits, however, for the curtailment in operations is extended all along the line and the output of refineries is reduced at least to a point that prevents the accumulation of stocks on hand in sufficient proportions to ruin 1931 prospects. For real prosperity, the industry must enjoy a revival of demand for its products that it experienced prior to 1930. In other words, oil stockholders are in the same class as most other investors this year. Their return both in dividends and market appreciation is dependent upon general business revival during the year.

Position of Leading Oil Stocks

Company	Earned per Share 1929	Earned per Share 1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Amerada Corp.	2.99	NF	31⅛	16⅛	20	2	10.0	B-2	Net profit in sale of leases covers dividend.
Atlantic Refining	6.20	1.80(2)	51	16⅛	22	2†	9.1	B-1	Continuance of extra 25c quarterly uncertain.
Barnsdall, Cl. A	3.25	2.50E	34	8⅛	12½	1	8.0	B-2	Div. recently halved, though earned in 1930.
Cities Service	1.18(3)	1.43(3)(5)	44	13	19½	0.3(1)	1.5	B-1	Yields over 7.5% with ½% stock div. monthly.
Continental Oil	1.90	1.00E	30⅛	8	10	..	..	B-2	Div. outlook unpromising for current year.
General Asphalt	4.71	2.03(2)	71	22	38	3	7.9	B-1	Div. reduced from $4, Nov., 1930—outlook uncertain.
Gulf Oil	9.83	NF	167	58½	70	1.5	2.1	A-1	Increases unlikely until industry improves.
Houston Oil	4.78	3.62(2)	117	29	52	....	..	B-1	Dividends await development of reserves.
Mexican Seaboard	nil	0.55(2)	37	10	18	....	..	B-2	Showing profits but div. unlikely.
Pan American Pete	2.92	E	64	42	35	....	..	B-2	Minority stockholders attempt to force dividends.
Phillips Petroleum	5.20	2.23(2)	45	11½	14	2	14.3	B-1	Dividend outlook highly uncertain.
Prairie Oil & Gas	5.90	NF	54	11	14	2	14.5	B-1	Curtailment reduced 1930 income; div. probably not earned.
Pure Oil	3.06(4)	1.52(4)	27	7½	10	..	..	B-2	Dividends passed due to decline in earnings.
Shell Union	1.26	NF	25	5	9	..	..	B-1	Dividend passed on poor earnings showing; cash position strong.
Sinclair Consol.	2.62	0.50(6)	32	10	13	1	7.7	B-2	Dividend halved in 1930—financial condition strong.
Standard Oil Calif.	3.63	2.37(2)	75	42	50	2.5‡	5.0	A-1	Cash dividend earned by small margin in 1930.
Standard Oil Indiana	4.66	NF	60	30	36	2	5.5	A-1	Reduce div. to finance 1930 expansion.
Standard Oil N. J.	4.75	NF	85	43	50	2†	4.0	A-1	Present rate, including extras, likely to be maintained in spite of lower earnings.
Standard Oil N. Y.	3.23	NF	40	20	25	1.6	6.4	A-1	Strong cash position; div. change unlikely.
Sun Oil	5.60	5.10	70	39	45	1	2.2	B-1	Paid "extras" in stock dividends last year.
Texas Corporation	4.91	1.50E	60	28	34	3	8.8	A-1	Div. likely to be continued in 1931.
Tidewater-Associated	1.73	0.60(2)	23½	10	8	0.6	7.5	B-2	Dividend earned in first nine months.
Union Oil of Calif.	3.56	1.35(2)	50	30	24	2	8.4	B-1	Dividend barely covered in 1930.
Vacuum Oil	6.96	NF	98	46	65	4	6.2	B-1	Present dividend seems likely to continue pending merger.

E—Estimated. † Partly extra. ‡ Plus 2% in stock. (1) Plus 6% in stock. (2) Nine months ended Sept. 30, 1930. (3) Before reserves. (4) Year ended March 31. (5) Twelve months ended Nov. 30. (6) First 6 months. NF—Not available.

Cigarettes Replace Other Forms of Tobacco

THERE were two important and distinct trends visible in the tobacco industry during 1930. The first was the tendency of the larger units to obtain a still greater share of the possible business at the expense of the smaller, while the other was the continuance of the cigarette to replace other forms of tobacco. Cigarette production during 1930 made a new high record, although the gain over 1929 was very small in comparison with other years when the increase has been between 8% and 12% over the previous year. Snuff production also held up well and although this commodity never has shown the phenomenal growth of demand that there has been for the cigarette, there is apparently a market profitable and stable for those engaged in its production. With the exception of these two sides of the tobacco industry, all others have shown distinctly declining tendencies. Cigar production during 1930 was the lowest in at least twenty-three years, prior to which date there is no record, while the production of smoking, plug and chewing tobaccos was also materially under that of 1929. Tobacco planters, particularly in this country, have had to contend with a state of over-production, the consequent piling up of stocks and the lowest prices on record for many grades. The movement to restrict acreage has as yet enjoyed little success, which means that a still greater quantity must be exported and prices which even now are exceedingly weak will decline still further. There is also a marked tendency for other countries to favor their own tobacco industry by the enactment of tariffs, if such action appears to be at all feasible.

The prospects then for the year 1931 are that the two trends so easily distinguishable during 1930 will continue and, if this should be so, fairly widespread dividend cuts may be expected among all but the strongest cigarette and snuff producing units. These, however, bar the unlikely prospect of a price war, may possibly increase their dividend disbursements, either by raising the regular rate or by the declaration of extras. In fact, both the American Tobacco Co. and Liggett & Myers Tobacco Co. have recently declared an extra dividend of $1 per share on their common stocks and this may be taken as pointing the way to the future.

Position of Leading Tobacco Stocks

	Earned per Share		Price Range —1930—		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1929	E1930	High	Low					
American Snuff	4.25	4.20	43⅞	35⅝	40	3.00	7.5	A-2	Paid 25c extra Jan. 2, 1931. Further extras likely.
American Tobacco B	5.77	8.50	130⅝	99¼	114	5.00	4.4	A-1	Extra dividends in prospect.
British Am. Tobacco	1.27†	1.20†	28¾	23	..	B	..	A-2	Little variation in normal disbursements expected.
Congress Cigar	8.23	x4.72	56⅞	18¼	28	4.00	14.3	B-2	Usual extras unlikely.
Consolidated Cigar	9.46	x5.86	59⅝	24⅝	30	5.00	16.6	B-2	Reduces rate from $7 to $5 and maintenance of even this depends upon future earnings.
General Cigar	8.07	x6.03	61	30	48	4.00	8.3	B-2	Earnings off sharply but should be able to maintain regular rate for some time at least.
Imperial Tob. (Gt. Brit.)	1.12	1.00	25¾	21¾	..	A	..	A-2	Little change in usual dividends expected.
Liggett & Myers	7.82	x7.15	114⅝	78¼	88	4.00	4.5	A-1	Recently declared usual extra.
Lorillard (P.)	0.29	x1.47	28⅛	8¾	..	....	..	B-1	A likely dividend payer in a year or two.
Reynolds Tobacco B	3.22	x3.42	58⅝	40	45	3.00	6.6	A-1	Regular rate safe.
Tobacco Products	0.44	0.40	6⅛	2	..	....	..	B-2	Dividend outlook uncertain.
U. S. Tobacco	5.21	5.50	68	59⅛	63	4.00	6.3	A-2	Could pay extras.
Universal Leaf Tobacco	7.28†	3.20†	39	19⅝	30	3.00	10.0	B-2	Outlook reported improved. May manage to maintain present regular rate.

A—Shares £1 par. 15½% paid 1930. B—Regular dividends at varying rates. E—Estimated. x—Actual. † Fiscal year.

Equipments Face Reduced Consumer Buying Power

LAST year was a poor one for the average equipment company. Consumer purchasing power was materially curtailed by the depression, or if not actually curtailed the desire to economize had very much the same effect. This desire for economy had, however, in at least one instance a peculiar reaction—a reaction which may possibly spread to the benefit of other companies and which should be particularly looked for in connection with the agricultural equipments. Foster Wheeler, a company whose main interest is the production of steam boiler accessories and oil distillation apparatus, is expected to report that the year 1930 was the most profitable in its history. The reason for this is that the keynote of the company's products is greater efficiency and in this case the general desire for economy was translated into a demand for that efficiency. In regard to other companies, where the question of economy is not so easily answered, business currently is at a fairly low ebb and in general no very great improvement is looked for during the forepart of the year. Many equipment companies, however, are strong and widespread dividend cuts are not expected.

The Agricultural Equipments operated at a high rate of activity during the first half of last year and export business was particularly good. Later, their business fell off sharply and, with world agricultural conditions demoralized as they are, it is doubtful whether earnings for

the next six months will equal those of the same period of last year.

The building equipments face but moderate prosperity and of even this they may be deprived should the bond market react unfavorably to news of a cash settlement of the soldiers' bonus or other cause. The demand for new construction is growing but conditions are not yet favorable to extensive undertakings.

Great industrial activity during 1929 and the consequent large freight movement was the basis for a considerable measure of prosperity for the railroads, causing a demand for equipment. The companies catering to these needs were profitably occupied for some time after the stock market crash in the fall of 1929 and their period of prosperity was further lengthened by the railroads' compliance with President Hoover's request not to curtail expenditures. Now, with the railroads having suffered disastrously during 1930 and with the current freight movement below normal, it is unlikely that orders for new equipment will be large until at least a year has passed, even if it should be a prosperous one.

The interests of many of the Machine and Electrical Equipments are so diverse that they will undoubtedly have certain active lines, even should others prove depressed. Industrial demand for new equipment is not heavy and manufacturers of electrical machinery have suffered a decided reduction in volume although it is unlikely that many current rates will be disturbed.

Position of Leading Equipment Companies

Agricultural Equipment

	Earned per Share 1929	Earned per Share E1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Case (J. I.)	13.75	10.00	262⅜	83½	118	6.00	5.1	B-1	No change in regular disbursement expected. Exports to Russia may be an important factor in earnings.
Deere & Co.	6.06‡	NF	162⅝	29¼	21	1.20	5.7	B-1	Pays extra in stock. Earnings have increased rapidly in recent years.
International Harvester	7.11	4.20	115⅜	45¼	54	2.50	4.6	A-2	Could pay more even on present reduced earnings. Exceedingly strong asset position.

Building Equipment

	Earned per Share 1929	Earned per Share E1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Am. Radiator & Stand. San....	1.91	0.60	39⅝	18	18	1.00	5.5	B-1	Cuts dividend. May have to reduce rate still further if business fails to improve sharply.
Johns-Manville	3.09	3.50	148⅜	48¾	70	3.00	4.3	A-2	Regular rate assured, but business not expected to show much immediate improvement.
Otis Elevator	3.99	3.10	80⅝	45¼	55	2.50	4.5	A-2	No change in regular rate likely. Recent reports on all classes of construction show large decreases.

Machine and Electrical Equipment

	Earned per Share 1929	Earned per Share E1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Allis-Chalmers	3.78	x2.86	68	31⅛	35	3.00	8.6	A-1	Barely earns dividend, but will probably not cut unless business becomes unexpectedly worse.
Am. Machine & Foundry......	3.03	2.50	45	29⅜	38	1.40	3.7	A-1	Further extras likely. Company benefits from modern trend toward labor-saving machinery.
Cutler-Hammer	9.77	3.20	90½	35	38	3.50	9.2	B-1	Is likely to reduce rather than pass dividend. Company enjoys good reputation in electrical specialties.
Fairbanks-Morse	5.05	2.00	50½	19¼	23	1.60	7.0	B-2	Business off sharply, but company should be able to maintain present reduced rate.
Foster-Wheeler	6.05	6.50	104½	37½	57	2.00	3.5	A-1	Could pay considerably more. The year 1930 reported to be the most profitable in the company's history.
Gen. Theatres Equipment	1.72†	NF	10	5⅛	14	....	..	B-2	Dividend prospect uncertain. Probably requires time in which to consolidate recent expansion.
General Electric	1.79	1.60	95⅜	41½	50	1.60	3.2	A-2	Will probably maintain present rate, although extras unlikely without unexpected business improvement.
Ingersoll-Rand	10.54	NF	239	147¼	170	4.00	2.3	A-1	Further extras in prospect. Stock appears to be selling somewhat high in relation to earnings.
Westinghouse Electric	10.15	5.00	201½	88⅜	95	5.00	5.3	A-2	Regular rate reasonably safe and long term prospects considered good.

Railway Equipment

	Earned per Share 1929	Earned per Share E1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Am. Brake Shoe & Foundry....	2.70	2.30	54⅝	30	36	2.40	6.6	B-1	Not likely to reduce present dividend rate. Diversification helps earnings.
Am. Car & Foundry	5.44‡	2.00	82½	24½	33	6.00	18.2	B-2	Reduction likely. Present dividend not being earned.
Am. Locomotive	5.40	1.00	105	18¼	26	2.00	7.7	B-1	Continuance of even present rate considered doubtful in view of lessened railroad prosperity.
Am. Steel Foundries	4.70	3.00	52¼	23½	27	3.00	11.1	A-2	Shows small margin over dividend requirements. May possibly cut present rate.
Baldwin Locomotive	1.07	1.70	38	19⅜	24	1.75	7.2	B-1	Will probably manage to continue present rate unless company's business declines still further.
General Railway Signal	6.25	x7.07	105⅝	56	75	5.00	6.6	A-1	Earnings held up well in view of general depressed conditions. Will maintain present rate, although extras not expected.
Westinghouse Air Brake.......	2.72	2.20	52	31¼	34	2.00	5.9	A-1	Regular dividend considered safe, although there appears to be little change for extras in the immediate future.

E—Estimated. † On smaller capitalization. ‡ Fiscal year. NF—Not available or no estimate possible. x Actual.

Another Good Year for Foods in Prospect

THE demand for food products is remarkably stable regardless of general business and industrial conditions because food in regular amounts is one of the prime necessities of life. The business of the leading units in this field clearly bears out this state of affairs and it is only logical therefore to believe that 1931 volume of business will be satisfactory.

In the aggregate, the production and preparation of foods comprise the largest industry in the United States The American public spends annually approximately $22,000,000,000 or one-quarter of the national income for retail foods. The five most important divisions of the food industry and the value of their products according to the latest available Census figures are 1) meat products—$3,057,000,000; 2) dairy products—$2,952,000,000; 3) cereal products—$2,699,000,000; 4) canned foods—$637,000,000 and 5) sugar products—$710,000,000.

In 1930, one of the most important developments affecting the food business was the steady drop in commodity prices. To a large extent these have been passed on to the public in the form of lower retail prices. Quotations of food products, for instance, dropped 16% during the year, which compares with a decline of 21.5% in farm products, and 18% in all commodities. In times of declining prices, managements of food companies must exercise extreme care in buying to avoid inventory losses and the results of most companies last year indicate that this policy has been followed. Lower prices may mean a somewhat lower actual profit per item even though the percentage profit margin remains the same, but this may be counterbalanced by increase in volume induced by the lower prices.

Results for the individual companies engaged in the food industry varied according to special factors in the particular situation. Of the four big meat packing companies, two showed larger profits last year, one about the same as the year before, and the fourth showed a drop. Generally, however, the year was more satisfactory than for several years past. The dairy products companies likewise had a better year, and will probably do as well in 1931.

The canning companies as a whole had adequate packs, but price declines tended to diminish net earnings. The baking companies were another group that felt the sharp decline in prices, which was greater in the finished product than was warranted by the decline in raw materials. Standard package foods remain popular and seem to have won for themselves a permanent place in the buying habits of the public, providing they can maintain their standing in the battle among brands, described elsewhere in this issue. As pointed out there, the manufacturers of national brands are meeting keen competition from private brands.

Position of Leading Food Stocks

Company	Earned per Share 1929	Earned per Share 1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Armour "A"	$0.40(1)	nil(1)	8⅝	2⅝	3⅛	....	..	B-1	Net off sharply last year, but has improved financial position. No dividends likely for some time.
Beech-Nut Packing	6.06	$4.66(2)	70⅛	46⅝	59	$3.00	5.1	A-1	Earnings stability attests company's widely diversified products.
Borden	5.50	5.50(e)	90⅝	60¼	73	3.00 + 3% stk.	7.1	A-2	Expansion of business much slower in 1930, but sales up about 10%. Maintenance of present dividend likely.
California Packing	6.33(3)	6.16(3)	77½	41¼	49	4.00	8.1	B-1	Net for current fiscal year estimated between $4 and $5. Present rate may be continued in view of surplus.
Continental Baking "A"	8.12	7.08	52½	16⅝	26	....	..	B-1	Lower material costs and operating costs aid in holding up earnings. May do something for "A" stock.
Corn Products Refining	5.75	4.70(e)	111⅝	65	82	3.50	4.3	A-1	Recent ruling on corn sugar improves prospects. Present dividend probably will not be changed.
Cudahy Packing	4.13	5.03(1)	48	38¼	43	4.00	9.3	B-1	Increased net last year, although gross dropped. Present dividend to remain.
General Foods	3.68	3.90(e)	61¼	44⅝	53	3.00	5.7	A-1	Company's quick-freeze process in foods is working out with promise. No change in rate this year.
General Mills	4.57(4)	4.83(4)	59⅝	40¼	46	3.00	6.5	B-1	Largest flour milling firm in world. Business and profit margin well maintained.
Gold Dust	4.03	3.50(e)	47⅝	29	38	2.50	6.6	A-1	Made creditable showing in 1930, and improvement should result from price stabilization this year.
Loose-Wiles	4.38	3.70(e)	70¼	40¼	51	2.70	5.3	A-1	Earnings somewhat lower than 1929, but dividend well covered.
National Biscuit	3.17	3.40	93	68⅝	79	2.80	3.5	A-1	Increased net earnings about 8% last year, thus continuing steady upward trend.
National Dairy	4.04	4.07(e)	62	35	46	2.60	5.6	B-1	Actual volume of business fell off 5% in 1930, but profit margin well maintained, although small.
Purity Baking	7.02	5.13	88⅝	38	46	4.00	8.7	B-1	Continued to expand, geographically and in retail outlets. Dividend rate will probably be maintained unless earnings drop further.
Standard Brands	0.47	1.20(e)	29¼	14⅛	18	1.20	6.7	B-1	Dividend just about covered. Conservatism may dictate another drop in rate, but business expanding.
Swift	2.18	2.08(1)	34½	27	29	2.00	6.9	B-1	Net income remarkably stable for type of business. Dividend paid for many years.
Wilson "A"	0.85(1)	1.51(1)	13	4⅝	10	....	..	B-1	Company steadily improving financial position and earnings. Inauguration of dividend on "A" stock depends on current results.
Ward Baking "A"	8.47	[illegible].26	54	12⅛	22	....	..	B-1	"A" shares entitled to $8 non-cumulative dividends before dividends on "B" shares. New control may result in earnings increase.

(1) Year ended Nov. 1. (2) Nine months ended Sept. 30. (3) Year ended Feb. 28. (4) Year ended May 31. (e) Estimated.

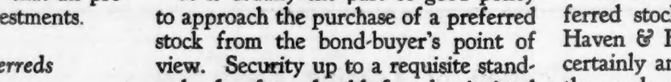
A Backlog of Preferreds for Income and Profit

By J. C. Clifford

THE preferred stock market provides the investor with many opportunities for profitable investment, particularly at such times as the present when general business uncertainty makes it imperative that at least a portion of his funds be subject to a greater degree of security than that obtainable in the average run of common stocks, and at a time when low money rates favor the advance of all fixed income bearing securities. Here it is possible to obtain a high yield with safety while, should the stock be listed on a recognized stock exchange, there is the added advantage of having one's capital in an extremely liquid form and available in an emergency upon a moment's notice. This is not to say that all preferreds make desirable investments.

All Kinds of Preferreds

There are good, bad and indifferent preferred stocks and, like the little girl in the nursery rhyme, when they are bad they are horrid. As a class, they are a hybrid of common stock and bond and, dependent upon which of these they most represent, so will they act marketwise. A strong preferred stock acts and reacts to those factors which affect strong bonds—money rates principally and to a less extent changes in credit standing. On the other hand, a weak preferred stock rises and falls in accordance with the company's earning power and the general stock market, while changes in money rates are of secondary importance.



Over the last year or so, the average preferred stock, being neither gilt-edged nor desperately weak, has been pulled first one way and then the other. One day there would be a rise on recognition of the extreme ease in money, while the next there would be a decline on the news of poor business for the particular company and an expected decrease in coverage over dividend requirements. As many preferred stocks of sound character can now be bought for prices considerably under those prevailing during the boom years in business when money rates were vastly higher than they are at present, it is clear that the prospect for smaller earnings has been the predominant factor in recent times. There is reason to believe that this factor has been overemphasized in many cases, on account of the general atmosphere of pessimism which has prevailed. After all, there is no reason for a material price decline in the preferred stock of a strong well-established company if the dividend is covered but five times during 1930 as against eight or ten times in 1929. Strength above a certain point is superfluous.

It is usually the part of good policy to approach the purchase of a preferred stock from the bond-buyer's point of view. Security up to a requisite standard of safety should first be insisted upon, while yield and prospects of market appreciation should be left as secondary considerations. Little is to be gained in buying a weak preferred stock. Should the company prosper, but a very moderate gain will accrue to the preferred stockholders, the real benefit going to holders of the common. On the other hand, the preferred stockholders' loss, in the event of declining business for the company, can hardly be other than severe. Omitting profit-sharing issues in one form or another, the prospective buyer of a preferred stock, requiring stability rather than growth, will usually find his conditions more frequently met among the railroads and public utilities than among the industrials, although it must be admitted that many industrials possess an earning record remarkable for its consistency.

The Kind to Buy

Again, as in bonds, it is usually a mistake to buy high rate callable preferreds for long term investment in preference to low rate or non-callable issues. In the case of the first class, market appreciation is stifled by the call price and should the company exercise its privilege, it is almost always to the disadvantage of holders who are confronted with the difficult problem of reinvesting their funds to the same advantage as was previously enjoyed.

For example, there is the 7% preferred stock of the New York, New Haven & Hartford Railroad, which is certainly among the strong rather than the weak preferreds. Earnings on this issue for the year 1930 were equal to about $40 per share against about $45 for 1929. The yield is good. In fact, there is every reason to suppose that it represents a sound medium grade investment. Despite the fact that it is convertible into common stock at any time, however, the scope of its suitability is materially narrowed by reason of the fact that it is currently selling several points above its call price. For this reason some might prefer, if anything but an extremely short-term commitment were contemplated, the senior stock of the Baltimore & Ohio Railroad. In this case, assuming the lower yield to be offset by the greater margin of safety —it is estimated that the Baltimore & Ohio Railroad will have earned about $34 on its preferred stock during the past year—it would be contended that the prospects of market appreciation unhampered by technicalities made it the more desirable. The same line of reasoning might be used in connection with the $4 preferred stock of Standard Gas & Electric Co. as against the $1.60 preferred stock of the Buffalo, Niagara & Eastern Power Corp.

For those desiring a sound low priced investment, the $1.50 non-callable preferred stock of the Pacific Gas & Electric Co. has many attractive features. It is currently quoted on the New York Curb Exchange around $27 per share, at which price it affords a yield of more than 5½%. The company is the largest light, power and gas company operating on the Pacific Coast and serves a territory supporting over 2½ million persons. Pacific Gas & Electric Co. has reported uninterrupted growth since its organization in 1905 and is now pursuing an aggressive expansion policy in connection with natural gas from the Kettleman Hills and Buttonwillow oil fields, which holds out great promise for the continuance of this growth in the future. Earnings of $5.40 per share on the preferred stock are expected for the year 1930, which compares with actual earnings of $4.57 per share for the previous year.

In the 5% non-cumulative convertible preferred stock of the Hudson & Manhattan Railroad there is an excellent illustration of a sound issue lacking only in market sponsorship. Despite an exceptional yield amply covered by earnings, at no time, not even during the height of the stock boom, can it be considered to have been inflated. Perhaps the lack of market interest can be put down to fear that the opening of the Hudson Vehicular Tunnel would have unfavorable effects, although nothing has yet occurred in the published reports to warrant real anxiety on this score. In fact, it might be contended that insofar as new communication facilities over the Hudson River tend to develop still further the Jersey countryside, it will be favorable to the Hudson & Manhattan Railroad. The company's property consists of valuable real estate, and about twenty miles of track connecting Jersey City with both the down-town and mid-town sections of New York. For the year 1930, earnings on the 5% preferred were equal to $40.79 per share, which compares with $42.86 per share for 1929, a more than usually satisfactory margin of safety.

Should none of the preferred stocks which have been specifically mentioned appear to meet one's particular requirements, a glance at the accompanying table will show many others from which a selection may be made.

The present time of uncertainty, when fear dominates the price of all investments, is undoubtedly opportune for the purchase of this class of security, as there are many cases where earning stability only need be shown—even at low current levels—in order to allow the present monetary ease to have its inevitable effect in rising prices.

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.40	133.73	182.20	No	92	4.3
Union Pacific	4 (N)	39.85	46.32	49.48	No	86	4.7
Atchison, Top. & S. Fe	5 (N)	40.47	40.21	49.18	No	106	4.7
Baltimore & Ohio	4 (N)	38.44	49.44	48.87	No	78	5.1
Illinois Central Conv. A	6 (N)	54.07	66.28	70.98	115	113	5.3
Pere Marquette Prior	5 (C)	64.08	75.60	55.50	100	86	5.8
Colorado & Southern 2nd	4 (N)	53.76	45.46	37.72	No	68	5.9
N. Y., New Haven & Hart	7 (C)	22.05	34.40	45.47	115	119	5.9
Southern Railway	5 (N)	36.17	32.11	30.21	100	83	6.0
Kansas City Southern	4 (N)	9.04	14.01	16.02	No	64	6.3
Colorado & Southern 1st	4 (N)	57.76	49.45	41.79	No	62	6.5
N. Y., Chicago & St. Louis	6 (C)	20.31	17.68	20.49	110	89	6.7
Chic., Rock Island & Pac. (6% Cum.)	6 (C)	22.49	23.60	25.14	102	86	7.0

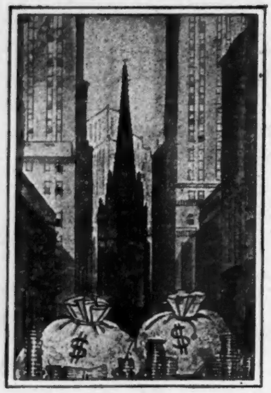
Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§16.28	20.92	19.04	No	152	5.3
So. California Edison "B"	1½ (C)	....	3.23	3.61	28¾	28	5.4
Pacific Gas & Elec. 1st	1½ (C)	3.49	4.24	4.57	No	27	5.6
North American Co	3 (C)	31.74	40.22	47.48	55	54	5.6
Philadelphia Co.	3 (C)	28.06	21.75	27.58	No	53	5.7
Columbia Gas & Electric "A"	6 (C)	25.42	30.78	33.95	110	105	5.7
Elec. Bond & Share	6 (C)	....	18.43	29.11	110	105	5.7
Amer. Lt. & Traction	1½ (C)	12.72	**17.20	**21.38	No	26	5.8
North Amer. Edison	6 (C)	63.49	53.15	58.36	105	104	5.8
American Water Works & El.	6 (C)	24.30	31.05	39.11	110	102	5.9
National Pr. & Lt	6 (C)	38.06	45.38	50.29	110	100	6.0
United Corp.	3 (C)	....	....	4.68	55	49	6.1
United Light & Power Conv.	6 (C)	....	....	15.42	105	99	6.1
Buffalo, Niagara & Eastern Pr.	1.6 (C)	3.88	4.52	5.19	26¼	26	6.2
Engineers Publ. Serv. (w. w.)	5½ (C)	....	8.79	17.65	110	87	6.3
Hudson & Man. R. R. Conv.	5 (N)	40.70	37.02	42.89	No	78	6.4
Standard Gas & Electric	4 (C)	16.76	14.07	20.39	No	61	6.6
Federal Light & Traction	6 (C)	39.67	49.83	51.72	100	91	6.6
Electric Power & Light	7 (C)	16.21	17.00	19.03	110	105	6.7

Industrials

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
du Pont (E. I.) de Nemours deb.	6 (C)	57.03	69.06	78.54	125	121	5.0
Hershey Conv.	†5 (C)	....	16.25	21.36	No	96	5.2
Aluminum Co. of Amer	6 (C)	10.26	14.04	17.19	110	109	5.5
Mathieson Alkali Works	7 (C)	74.06	84.50	93.91	No	122	5.7
Bethlehem Steel Corp	7 (C)	16.32	19.16	42.24	No	122	5.7
Stand. Brands, Inc., Cum. A	7 (C)	125.34	123.40	129.41	120	120	5.8
Brown Shoe	7 (C)	44.12	85.27	44.11	120	117	6.0
Curtis Publishing	7 (C)	19.19	21.48	23.93	120	117	6.0
General Cigar	7 (C)	67.32	62.81	85.92	No	114	6.1
Case (J. I.) Thresh. Mach	7 (C)	38.43	32.59	35.06	No	113	6.2
Bucyrus-Erie	7 (C)	....	39.34	48.31	120	113	6.2
General Mills	6 (C)	....	18.70	18.86	115	96	6.3
Commerc. Investm. Trust 1st.	6½ (C)	24.36	45.50	81.92	110	103	6.3
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	111	6.3
Deere & Co.	1.40 (C)	5.15	5.90	9.64	No	21	6.7
American Sugar	7 (C)	7.97	14.60	15.40	No	104	6.7
Crucible Steel	7 (C)	22.47	22.54	32.65	No	104	6.7
Crown Cork & Seal	2.70 (C)	....	7.20	6.26	45	34	7.9

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock. † Regular rate, $4.



Market Indicators

For Profit

Relieving a Business Risk

The opportunity to safeguard against losses in an inventory position has been extended to include one more important material by the recent opening of a blackstrap molasses futures market on the New York Coffee & Sugar Exchange. The trading contract calls for the delivery at New Orleans of 24,000 gallons of the commodity, worth between $1,000 and $1,500 at present prices. Manufacturers of alcohol use about 200 million gallons of blackstrap molasses annually, while about half as much again is taken by manufacturers of stock feed and other products.

The report of the U. S. Industrial Alcohol Co. for the year ended December 31, 1930, showed that the profit from the year's operations was entirely eliminated by an inventory adjustment of $3,000,000, which was due principally to the drastic price decline in blackstrap molasses. This inventory loss, resulting in a net loss for the year of slightly more than $1,800,000 as against a net profit after all charges, including preferred dividends, of $4,721,000 for the previous year, might have been very materially reduced had there existed a wide active futures market on which the company could have sold against its stocks on hand. It should be remembered that, although a futures market may be used by individuals for gambling, its more legitimate use is to relieve business of much risk.

* * *

No Diversification

The advantages accruing to a company having diversification of interests has been stressed times without number and yet, despite this, it is easy to discover single base companies which have done exceedingly well during the trying time immediately behind us. For example the three companies Wrigley, Jr., Hershey Chocolate, and Coca-Cola are all unlikely to report lower per share earnings for 1930 than was shown for the previous year. This of course has been reflected in the market action of their stocks, although it is truly remarkable that insofar as these companies faced such a favorable outlook in 1929 their securities were not absurdly inflated during the bull market. Wrigley is currently selling around $72 per share, against a range of 81-65; Hershey around $90 a share, against a range of 143-45, and Coca-Cola around $164 a share, against a range of 154-101 in 1929. The investor then need bother little about the diversified interests of his company as long as he has selected a good specialty. He should make certain, however, that it is a good one with not a temporary but a sustained, year-round market.

* * *

Anti-Trust Laws Again Hit

Although the action was not strictly under the Sherman Act or other anti-trust law, the recent decision of the Federal Circuit Court of Appeals, giving approval to the proposed merger of the Standard Oil Co. of New York and the Vacuum Oil Co., was considered particularly important as evidencing the modern trend toward a more lenient interpretation of these laws and, regardless of the outcome of the Government's probable appeal to the Supreme Court, its significance on this score cannot be lessened. The opinion rendered found that "the intent and purpose of the merger is solely to meet the normal and natural business necessities of the two companies, brought about by the development of and the changed competitive and business conditions in the industry." It found that in some places the two companies were in competition with one another but not to such extent as to be of vital importance to the oil industry and that the desire to merge on the part of the Standard Oil Co. of New York was expansion, while Vacuum Oil desired the union for the reason that it had been losing retail outlets through the tendency of other companies having gasoline stations to push their own products. Should the merger eventually be consummated under the original plan, a new company will be formed called the General Petroleum Co. "Socony" stockholders will receive share for share in the new company while Vacuum stockholders will receive three shares for each share held.

* * *

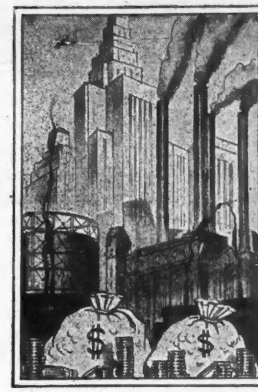
General Motors

General Motors' preliminary report for the year ended December 31, 1930, indicated net income of $151,100,000 after all charges but including non-recurring profits of slightly less than $10,000,000. This was equal to $3.25 per share of common stock and compares with net income of $248,300,000 equal to $5.49 per common share shown for the previous year. The latest report, however, was better than had been anticipated in consideration of the fact that the year 1930 was a notably poor one for the manufacturer of automobiles and would appear to justify the company's leadership in the field. The outlook for the industry, however, cannot be considered particularly bright as there is now evidence that the much discussed and feared saturation point is not far away. When it arrives the industry will be almost entirely dependent upon replacement business and future expansion will indeed be slow, although in extensive diversification of interests, such as that now being attempted by General Motors, there are possibilities of offsetting this unfavorable outlook.

* * *

Bonds

The unsettlement in the bond market caused by proposals to pay the soldiers' "bonus" now appears to have died



and Income

down and all classes of bonds have rallied vigorously in recent days. Second class and speculative bonds were particularly strong, reflecting a very much improved sentiment in the stock market. Although it is by no means certain that the ex-servicemen's assurance policies will not either be partly cashed or the loaning value raised, there is a growing conviction that the immediate payment of the full amount, estimated at $3,400,000, is out of the question. Ignoring the possibility of further temporary unsettlement as the various proposals come up for discussion in Congress, the unchanged outlook for easy money continues to make bonds attractive investment mediums. An unusual demand for Federal Land Bank bonds has lately been reported. These securities enjoy an excellent market, over-the-counter, in New York and are available in a variety of maturities to yield about 4¾% at current prices. Insofar as they represent a gilt-edged security they are recommended to those who require a very high degree of safety.

* * *

To Restrict or Not to Restrict?

The difficulties with which the oil industry is contending have been much to the fore lately. The question of the moment seems to be as to whether or not proration should be practiced and if so, should difficulties either by tariff or embargo be placed in the way of oil imports. Unrestrained competition, resulting in a flood of oil would undoubtedly work hardship on everyone, particularly the "little fellow" who is not unlikely to go bankrupt. On the other hand, the same "little fellow" opposes proration on the grounds that it is especially hard on him who needs even now almost every penny on which he can lay his hands in order to stay in business. Finally, both sides point out the futility of domestic proration while at the same time permitting unrestricted duty free imports. Until the question is settled—and fallacies can be seen in every remedy so far advanced—the holder of oil securities is unlikely to obtain much satisfaction from his investments. There have already been many dividend reductions and the most important companies are now beginning to feel the effects of the unsatisfactory conditions. Standard Oil of Indiana recently reduced the dividend on its common stock from an annual rate of $2.50 to $2, the president stating at the time that this was done on account of the disturbed conditions which made a conservative policy desirable.

* * *

Diversified Investment Trusts

The year 1930 represents an important land-mark in the development of the investment trust movement in the United States. Among the ashes of the last bull market lie many of the old shibboleths and the stage is being put in order for a fresh start upon a sounder basis. Bookkeeping practices are becoming standardized, losses are being written off, stated value of shares adjusted and assets re-valued on a conservative basis. The tremendous depreciation sustained by many companies of this class—recent surveys show that the assets of a number of representative management type investment trusts declined between 20% and 25% last year—has caused a reaction toward the fixed type and a large number of these have come into being. In connection with the recent formation of many trusts the organizers state that the company is being created in order to take advantage of the depressed prices for securities. This appears entirely logical and there is no reason why many investment trusts from this point should not prove profitable long term investments. It is suggested that those companies which are more flexible than the ordinary fixed trust and yet do not lend themselves to the possible abuses of the simple management type will probably prove the most satisfactory to the average man. Such a company would be one having a charter provision which permits not less than 40% of its funds to be represented by cash or legal bonds, not less than 30% by other strong bonds or preferred stocks, while the balance could be used to take advantage of favorable opportunities in common stocks.

* * *

Railroads and "Recapture"

No less an authority than the Interstate Commerce Commission is proposing that the objectionable "recapture" clause of the Transportation Act of 1920 be repealed and that the basis on which railroad rates are fixed be revised. Should this be done, the whole railroad outlook would be clarified, a source of endless litigation removed and the ten-year controversy on "valuation" between the carriers and the commission settled. Despite the fact that the railroads of the country, as a whole, have never earned a fair return on their valuation—or even on the Government's valuation for that matter—the "recapture" clause has always had a stifling effect upon their securities and credit. Both speculators and investors have been disinclined to invest in a business where the profit possibilities were so obviously limited with the result that the country's transportation needs have been developed with difficulty. With enactment of the necessary legislation of which the proposal now advanced would represent the greater part, however, there would dawn a long overdue era of prosperity for both the railroads and their security holders, to say nothing of the advantages accruing to the public by the consequent improvement in service.

READERS' FORUM

Throwing New Light on the Theory of Price Movements

Effect of Large Productivity on Commodity Prices—The "Quantity Theory" of Money in Simple Terms—Gold and Money No Cause for Depression

By William E. De Bary

THE man in the street is vexed and puzzled by the confused diagnosis of the business "doctors." What is called the science of economics is a mystery to him for it grew up in a wilderness of intellectual contortions. Even the business man who is intelligently interested, can hardly find his way through. The diagnosis of an economic crisis is always difficult but made easier by the recognition of the fact that there are two principal causes for the rise and fall of prices; one factor being the supply of gold and money spreading its influence over a fifteen-year period, the other the cycle of business taking about eight years to run its course.

Let us take up the business cycle first. We might think of it as a dial divided into four parts, with a hand moving regularly from prosperity to decline, to depression, to recovery. It is a circuit that has lately taken the form of two good years following a bad one, the good years of 1922 and 1923 being followed by the decline in 1924, the good years of 1925 and 1926, by the decline in 1927 and the good years of 1928 and 1929, ending in the climax of the 1930 depression.

The Reader's Forum is open to all interesting discussions of current economic, financial and investment topics which give a background to contemporary developments in the limelight of public interest.

The author of this article is well equipped as a lecturer and economist to extend in simple terms some elementary enlightenment on such a complex problem as price movements and their causes.

Business is the "business" of producing for consumption. Consumption depends on population and its standard of living. During the last 100 years consumption has increased at the average annual rate of 3% per annum or doubled itself every thirty years because the population increased at the average annual rate of 1½% and the standard of living increased 1½%.

Trouble Generated in Prosperity

There is never any trouble when goods are being consumed as they are being produced. The trouble begins when production outruns consumption as it is apt to do in a so-called period of prosperity and of rising prices. It is a curious thing that in good times we buy more than we can afford, that we spend more than our national income and contract debts, and that in bad times we spend less than our national income and pay off debts.

The actual consumption is at all times hard to judge, and requires exceptional ability in reading the mind of the public. In the early part of 1929, however, misjudgment of the real demand and the momentum acquired during the rise carried production to a point about 25% above consumption. In order to restore things to a natural equilibrium, afterwards an under-production of 25% was required. This difference of 50% and the accompanying sharp fall of prices, it is suggested, is enough to account for the present period of business depression without looking for a cause of it in the supply of money. Incidentally we appear to have arrived at this point of a 25% under-production now, indicating that we are at or passing the bottom of the depression.

What information can we glean from an examination of the other factor in our discussion—the rise and fall of prices, the supply of gold and money? The average man has not seen a gold coin for years and he wonders whether gold has anything to do with the present stagnation. The science of money is even more of a mystery to him than economics although when simplicity is substituted for a show of profundities, it might be found that the whole science of money could be written in its plain A B C's and be thoroughly intelligible to the layman.

Business a Series of Exchanges

Let us begin with the simple proposition that: all business is a series of exchanges. Then follows logically that these exchanges are made for the consideration of value. And, price is the measure of this value in terms of money. This is the whole thing in a nutshell. All questions of economics can be squared with it and all problems are solved by it.

As the statement in this condensed form covers a great deal of ground it should be worth while to go into some

detail. It is plain that no one can do business with himself. He must do business with someone else. Immediately it is clear that business is a relationship. As this relationship is based on a consideration of value it becomes apparent that value arises out of a relationship, and that it is therefore nothing in itself.

There is no such thing as intrinsic value. Worth is intrinsic, perhaps, but value is not. Worth is inherent regardless of outside conditions; value is what somebody is willing to pay. Value is market value and takes into consideration past, present and future exchanges not only locally but in all places. Value is speculative; worth is not. Value is a numerical relationship as was very clear in the days of barter when in the absence of a medium of exchange, one ox was exchanged, say, for ten sheep. The value was numerical relationship of 10 to 1.

We are no longer in the days of barter, however. Now we have money as the medium of exchange and price measures value in terms of this medium of exchange. Here we become acquainted with money as a medium of exchange, arising out of a relationship like value, and, like value, being nothing of itself. In other words, money is nothing more than a medium of exchange. The value of money is its exchange value for goods and services. Its value is what it will buy. But the world is placing a heavy premium on money, and at the present time this "money madness" is taking the form of leaving money idle in the banks.

The Part That Gold Plays

Money, our medium of exchange, is redeemable in gold. In theory any other metal or commodity would do but in practice nothing else has stood the test of the ages. From the viewpoint of universal acceptability, transportability, etc., gold is peculiarly fitted for transactions of big business and world commerce. As more and more nations want to share in world trade, more and more use the gold standard until there are only China and Persia left on a silver basis.

Money is what the law says it is. In the United States through the Gold Standard Act of March 14, 1900, it was enacted "that the dollar consisting of 25-8/10 grains of gold, nine-tenths fine, shall be the standard unit of value." This is 23.22 grains of fine gold back of our dollar. As there are 113.0015 grains of fine gold in the gold sovereign, we have only to divide this number by the number of grains in the dollar to arrive at $4.86, the par of exchange for the pound sterling, and similarly with the moneys of other countries on the gold standard.

Because of the free coinage that is necessary with any standard that is based on a metal anyone can go out and find a lump of gold, take it to the mint and have it coined into money. So at any time the total amount of gold or of money, can be changed and the measure most in use, our unit of value, the dollar, is not fixed and cannot be, because the supply of gold continuously changes.

How does this convertibility of gold for money affect prices? Price is the measure of value in terms of money. In this, as in anything else, the more money there is the cheaper it is, and the less it buys the more money it takes to buy the same things, and therefore the higher are the prices. Conversely the less money there is the less it takes to buy the same things and the lower are prices.

This in plain words is the quantity theory as stated by John Stuart Mill: "That the value of money is inversely as to its quantity multiplied by what is called the rapidity of circulation." The second half of the definition referring to what is now generally called velocity might be left out, for it is quantity only in another name. The merchant who turns $10,000 over 50 times a year has for all practical purposes 50 times as much money in quantity as the one who turns it over only once a year. The quantity theory of money has history to substantiate it.

The flow of gold from one country to another is always in accordance with the flow of trade. It is essentially the medium of exchange among the larger trading nations of the world in settling international balances.

The story of gold tells the history of the United States. For over a century and up until 1870 Europe shipped to us goods (as well as money). But about 1870 the situation reversed itself and we began to ship goods to them. When, as the result of the war, our position as a creditor nation was definitely established we shipped money as well, amounting to about 10 billion dollars within the four years from 1925 to 1929.

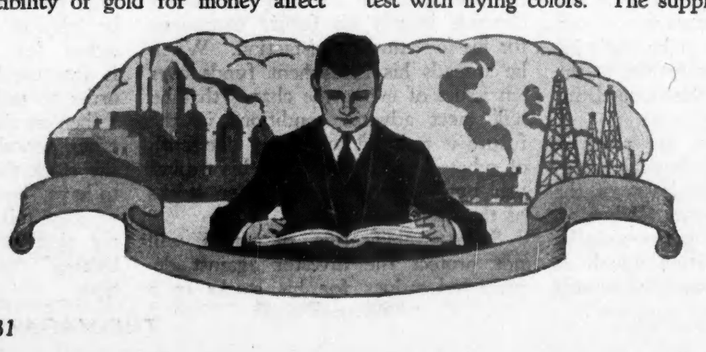
If a thumb nail sketch is made of the rise of our present position it will be found to illustrate itself in four distinct fifteen-year upward curves or waves. From 1870 to 1885 largely because of our shipments of agricultural products we had an excess of exports over imports, a favorable trade balance. As gold is the medium for the final settlement of all international balances, we received gold and our gold stock rose in exact correspondence. As our gold supply increased, so did prices rise, including stock market prices, which for the period show the same upward curve.

The same thing happened from 1885 to 1900, and from 1900 to 1905. As our export figures rose so did our gold supply, and so did our stock market prices. This brings us to the memorable year of 1915 which marked the beginning of our shipments of enormous amounts of ammunition and foodstuffs, payment for which carried our stock of gold from about $1,500,000,000 in 1915 to the peak of $4,700,000,000 in 1927. There was considerable talk last year about a new era. But we were not in a new era. The rising stock market prices from 1925 to 1929 are sufficiently accounted for by the rise in our stock of gold.

Gold Not the Cause of Depression

After returning about half a billion dollars to France in the early part of 1929, offset in part by incoming shipments, our stock of gold in the summer of 1929, when the business reaction set in, was about four and a half billion dollars or near the peak of all time.

Interest rates at no time were a deterrent to the rise in the stock market. When the panic came it proved to be a securities panic and not a money panic, for the mobility, elasticity and efficiency of our Reserve system passed the test with flying colors. The supply of money was ample.



The reason for the depression of business were business reasons and the cause of the debacle of the inflated securities market was if anything too much money and not too little. And there are ample supplies of bank credit available for recovery.

What Is the Proper Use of Diversification?

This and Other Questions Are Put Forth by Readers Who Seek the Facilities of Readers' Forum for Personal Counsel

Editor, Readers' Forum:

During the past few years I have read a great deal about the value of diversification in that it gives an added factor of "safety" to one's investments. Yet, from my own experience and that of others, I do not quite "see" the practical advantages. Is it not true that stocks move as a group? When the market moves upward, all stocks advance; when the market declines, the stocks that make up the market also decline. What difference does it make, under such circumstances, whether an investor owns one stock or ten similar stocks. When you come right down to it, would it not be better for an investor to own one good stock than ten mediocre issues? I am sure that a great many other readers would be interested in your comments relative to the above, or to at least get some practical counsel on the proper use of diversification in one's investment program.—T. E. C.

There is no doubt but that many sins have been committed in the name of diversification. And there is little doubt in the minds of those who have the privilege of wide contact and constant correspondence with a great many investors that far too much is expected from this particular investment practice. The question "would it not be better for an investor to own one good stock than ten mediocre issues?" is, however, hardly a fair question. Diversification, when property used, should not be intended as a substitute for fundamental investment merit. The proper purpose in employing diversity is not to make a good investment out of ten bad ones, but rather to make one's investment capital less susceptible to the inherent risks in any common stock investment.

Common stockholders are partners in the business; they thus share in both the profits and the losses of the business from year to year. When an investor assumes such a partnership he should select a corporation which *at the time of his investment* represents risks and prospects that are neither too large or too small for his purposes. Granting a capable selection in this regard, the question of *what will happen in the future* still remains an open question.

Unlike a bond, the investment merit of a common stock is not based on a comparatively few clearly estimable factors. Having no guarantee of a fixed income nor of a repayment of the principal, the common stockholder depends largely on future conditions for his investment satisfaction. When he spreads his investment funds over ten issues of merit, the chance that he will meet adverse conditions in the future is reduced to exactly one-tenth of what it would be if all his capital was put in any one of the ten stocks of the group.

Such diversification, of course, will not protect the investor against depreciated values for his stocks in a bear market or in a major business depression. The necessity for constant vigilance over one's investments in common stocks is not reduced one bit by diversification. When it is used for such a purpose it is misused. And many investors employ the principle of diversification over so large a group of issues that they cannot properly watch all of them. In this instance again, it is misused. A good investment rule might be to never buy more issues than one is prepared to handle properly—diversification notwithstanding.

USE THE READERS' FORUM

Letters which the Readers' Forum Editor has received during the past month or so, furnish convincing evidence that readers are more interested in securing dependable financial information and counsel today than at any time in the past. Even with stock market activity at a low ebb, interest in financial matters is sustained. Investors have learned many lessons during the extraordinary times through which we have just passed. Probably the most valuable is the knowledge that lasting investment success can only be attained by careful study, constant vigilance and thorough familiarity with security markets. If this department can help you in such directions, use it freely.

"Buyers on Balance"

Editor, Readers' Forum:

As a newcomer to the game I would appreciate it very much if you could inform me as to the meaning of the terms. "buyers on balance and sellers on balance." I have looked through several books but have failed to find the desired information.

Thanking you in anticipation that you will be able to enlighten me, I am, yours truly, N. S.

The expression "buyers on balance" is frequently used to mean that the party in question is engaged in a more or less continuous trading operation but, at the moment, is buying more than he is selling. The expression "sellers on balance" means just the opposite. For example, a large trader or a pool manager might be placing both buying and selling orders for the stock in which he is interested throughout the day, in order to make a market for the issue. When at the end of the day (or any other period), he has bought more of the stock than he has sold, he is said to have "bought on balance" and those who are following his operations would say that he had been a "buyer on balance" for the period of the operation.

What Are "Slow Assets?"

Editor, Readers' Forum:

I am unfortunately involved in a bank suspension in this locality, being both a depositor and a holder of a few shares of stock which I inherited from my father. In a report which has just been made, there are many assets of the bank marked as "slow assets." No one seems to be able to give me a satisfactory definition of what this term means. And aside from the technical meaning of the term, are these assets good or are they not? I am appealing to you for this help, as no one seems to be able to give me satisfactory information here.—H. R. F.

The Investor's Dictionary, published by THE MAGAZINE OF WALL STREET gives the following definition of the term "slow asset": "Property which cannot be immediately converted into money, except at some sacrifice in value. Property having a reduced present value, but whose value is likely to increase as time passes."

Applied to the assets of a bank in receivership, the term would cover loans to customers of the bank which can not be repaid immediately but on which the bank examiner expects to be able to collect in time. It might also cover investments which the banks had made in bonds or other securities at prices higher than their present market value but on which a better realizable value is anticipated in the future. Slow assets may be fundamentally sound assets if there is plenty of time for their liquidation, but would impair the ability of an operating bank to meet withdrawals of depositors.

Investing In An Annuity

Editor, Readers' Forum:

I would like to have your opinion regarding my insurance.

I am 24 years of age with my mother (54 years old) depending upon me. Due to certain circumstances I probably will have to stay single. My mother is living in Germany, where she could live quite comfortably on an income of about $750 to $1,000. As I am a systematic saver I would not consider insurance as a vehicle of saving.

A representative of the ——— Insurance Co. told me of their so-called survivor's annuity, which would cost me $14.86 annually for each $100 yearly payment to my mother. This is subject to a dividend of about 40%. Is the agent's statement as to the dividend correct? It seems rather high to me.

I would appreciate your opinion of this form of insurance, especially whether it is suitable for me. Also whether you consider this an attractive rate.

Sincerely yours,

H. M.

Replying to your letter we would say that in your circumstances we would consider that the survivorship annuity you think of taking out for the benefit of your mother in event of your predeceasing her is good coverage at an attractively low cost.

The company you mention as offering this contract to you is a fine "Old Line" institution, with a reputation for fair and equitable dealing with its policyholders.

We think you are under a misapprehension as to the 40% dividend on the above contract which seems high. Dividends are merely estimated for the future, and not guaranteed. We would suggest that you ask the agent for more definite information as to the amount of this estimated dividend and if it is assumed to be paid in such percentage throughout the life of the insured who is carrying the policy.

Stocks Loaning "Flat"

Editor, Readers' Forum:

I notice that the majority of stocks have been loaning "flat" for some time, in fact none are reported as loaning with interest and a few are at a premium. My common sense tells me that when stocks can only be borrowed at a premium, they must be hard to borrow. But what does it mean when the majority of stocks loan "flat?" I have asked a number of people about this but cannot get a satisfactory explanation. I am interested in this information, particulary because financial writers have been saying so much about the influence of short selling on the market.

Gratefully yours,

T. R.

When a broker borrows stock (in order to make delivery for a customer who has sold the stock short) it is customary for the borrowing broker to pay the approximate value of the stock, which he has borrowed. In effect, he turns over the proceeds of the sale and receives the stock, with the understanding that when the stock is returned the cash is also returned. The lender, therefore, has the use of the money and the broker has the stock. Ordinarily, the lender will pay interest on the money received, usually the call rate or slightly less than the call rate. With call money ruling at 1½ per cent it is just about normal, therefore, for the majority of stocks to be loaning without interest and are therefore said to be loaning "flat." The fact that stocks lend at a premium, which incidentally is a daily charge paid by the borrower, indicates that there is a demand for stocks, to be loaned in excess of the amount available with the extra charge. At around the end of the year, it was not unusual for ten or more of the standard active stocks to be loaning at a premium—normally stocks do not command a premium.

IN THE NEXT ISSUE

See Announcement On Page 531

TRADE TENDENCIES

Industry Records Few Gains Although Demand Improves Slightly

STEEL

Needs Higher Prices

THE small gain of 3% in steel ingot production during the last two weeks has been somewhat disappointing and unless great improvement is registered before the end of March, the time when the peak of Spring activity is usually felt, hopes for an immediate business revival will have to be postponed. Reports that steel producers were contemplating the raising of prices are now said to be unfounded. In fact, there is evidence of price shading for all classes of steel. Heavy melting scrap in some markets is even slightly below the low record of last year, which is not an encouraging development in view of its importance as a barometer for the entire industry. The present tendency toward softening prices, however, would be

(Please turn to page 585)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	Last*
Steel (1)	$34.00	$30.00	$30.00
Pig Iron (2)	18.50	17.00	17.00
Copper (3)	0.17⅝	0.09½	0.09½
Petroleum (4)	1.45	0.95	0.95
Coal (5)	1.65	1.40	1.60
Cotton (6)	0.17½	0.09½	0.10⅝
Wheat (7)	1.46½	0.96⅞	0.95½
Corn (8)	1.19⅛	0.90⅛	0.81⅝
Hogs (9)	11.00	8.00	7.25
Steers (10)	16.50	10.75	11.25
Coffee (11)	0.10½	0.07	0.06⅝
Rubber (12)	0.16⅝	0.07⅝	0.07⅝
Wool (13)	0.34	0.28	0.29
Sugar (15)	0.03⅝	0.03½	0.03⅝
Sugar (16)	0.05⅛	0.04⅛	0.04⅜
Paper (17)	0.03½	0.03½	0.03½
Lumber (18)	20.33	15.03	14.77

* Feb. 10, 1931.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) 220-240 lb. wts.; (10) Top, Heavies, Chicago, 100 lb.; (11) Rio No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (15) Cuban, 96° duty paid, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Steel ingot production continues to make barely seasonal headway and the industry is currently operating at about 50% of theoretical capacity, a gain of 2% over the rate of a week ago. This would not be particularly disconcerting if it were not for the fact that prices generally have shown a distinct tendency to soften instead of becoming firmer as had been expected.

AUTOMOBILES—January production of automobiles and trucks in the United States and Canada totaled slightly under 184,000 units, which compares with a production of about 163,000 for December and 287,000 for January, 1930. Chevrolet production set a new high record for any January in the company's history and clearly indicates the favorable reception given to the new model, which was brought out last November.

COPPER—Reflecting the foreign demand for copper, prices have firmed and the metal is currently quoted at 10.30 cents per pound for export. Stocks of refined copper in North and South America declined more than 3,300 short tons during the month of January and now total 364,000 short tons according to the American Bureau of Metal Statistics. Stocks were at their low point in October, 1928, when they amounted to less than 46,000 tons.

LUMBER—Evidence has recently been obtained showing that convict labor is being used by Russia for the production of lumber and pulp wood. This has resulted in a general order to collectors of customs that, in accordance with the law, the importation of these commodities into the United States is prohibited.

RAILROADS—The report submitted to the Senate Interstate Commerce Commission Committee by William C. Green, special counsel, has been made public. It finds many weaknesses in the existing railroad consolidation legislation and stresses the improbability of such legislation attaining its principal object which was to strengthen the weaker carriers.

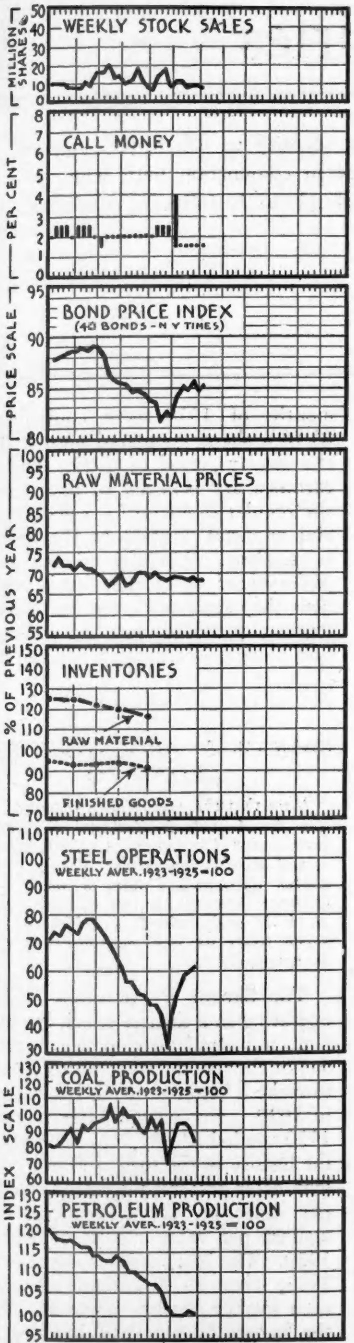
SILVER—Although silver is currently quoted slightly above its low record levels, there is no doubt as to its waning usefulness for monetary purposes. Consequently, producers are making efforts to extend the commercial demand and the recently perfected process for the production of a non-tarnish silver is considered an important step in the right direction.

PETROLEUM—Increases in both crude oil production and gasoline inventories took place during the week ending February 7, according to the American Petroleum Institute. Daily average crude oil production was higher by 30,550 barrels than in the previous week, while gasoline inventories increased 840,000 barrels over the same period.

COTTON—Legislation is being proposed to curtail trading in "futures" on the various cotton exchanges of the country and, although the object of such legislation would be to restrict the operations of the out-and-out speculator, this will be difficult to attain if legitimate "hedging" operations are not to suffer as well.

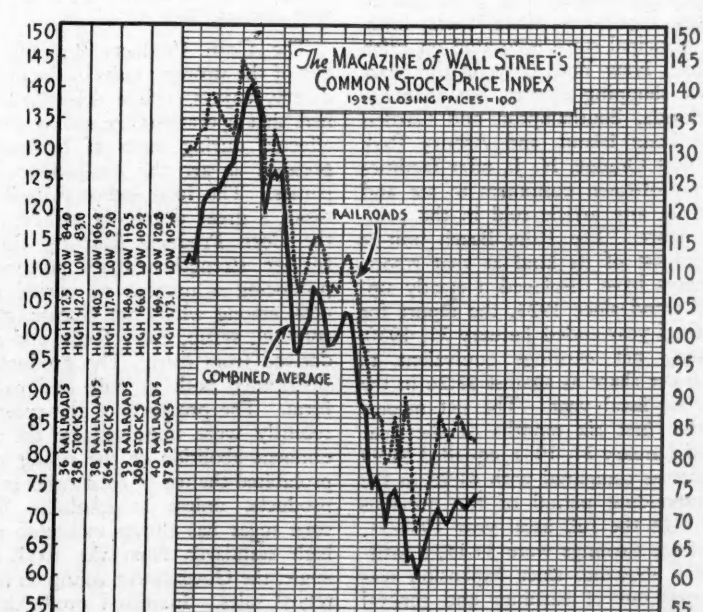
The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1931 Indexes High	1931 Indexes Low	Recent Indexes Jan. 31	Recent Indexes Feb. 7	1930 Indexes Close	1930 Indexes High	1930 Indexes Low
405	COMBINED AVERAGE	73.6	62.2	71.5	73.6	62.2	140.7	59.9
5	Agricultural Implements	119.9	105.9	105.9	108.5	112.0	405.5	105.7
8	Amusement	104.0	88.5	100.7	104.0	88.5	272.0	85.6
22	Automobile Accessories	57.1	47.8	53.7	57.1	47.8	118.1	46.2
20	Automobiles	29.9	25.5	28.0	29.5	25.5	78.4	24.5
4	Aviation (1927 Cl.—100)	56.2	39.9	55.1	54.7	39.9	153.1	35.4
3	Baking (1926 Cl.—100)	37.0	23.8	34.7	37.0	23.8	74.2	23.8
2	Biscuit	202.3	185.5	198.8	200.7	185.5	248.1	179.6
5	Business Machines	150.4	128.6	141.7	150.4	128.6	262.7	123.5
2	Cans	165.2	157.0	160.8	165.0	157.0	226.0	151.8
8	Chemicals & Dyes	137.0	121.7	129.7	137.0	126.0	248.5	124.3
3	Coal	54.9	55.4	44.5	54.9	35.4	107.9	34.4
22	Construction & Bldg. Mat....	63.9	48.3	61.9	63.9	48.3	121.8	46.2
12	Copper	77.8	70.4	73.4	71.8	70.4	211.7	67.0
2	Dairy Products	89.0	83.0	86.6	89.0	83.0	125.1	80.7
9	Department Stores	23.5	21.5	23.2	23.5	21.5	51.6	20.4
8	Drugs & Toilet Articles	104.6	83.0	96.9	104.6	83.0	142.0	79.4
8	Electric Apparatus	127.8	115.8	123.5	124.7	115.8	239.1	114.9
4	Fertilizers	18.8	14.8	18.0	17.4	14.8	54.4	13.7
2	Finance Companies	77.6	74.3	77.5	77.0	77.6	148.4	68.5
7	Food Brands	74.8	64.4	69.3	74.8	64.4	93.5	62.1
4	Food Stores	66.4	50.3	61.9	66.4	50.3	124.6	50.0
4	Furniture & Floor Covering...	44.1	31.6	41.8	41.9	31.6	119.2	30.1
7	Household Equipment	38.8	29.9	36.4	38.8	29.9	92.5	28.6
10	Investment Trusts	75.9	61.0	75.9	75.8	61.0	184.9	58.9
3	Mail Order	75.2	52.3	68.6	75.2	52.3	170.0	51.5
39	Petroleum & Natural Gas.....	63.2	52.4	60.2	61.7	52.4	142.5	50.9
8	Phono. & Radio (1927—100)..	47.0	37.2	47.0	45.9	37.2	175.2	36.8
20	Public Utilities	165.4	150.4	159.5	165.4	150.4	305.0	141.1
10	Railroad Equipment	67.8	57.8	65.2	66.1	57.8	115.4	55.5
33	Railroads	86.7	69.8	83.2	82.2	60.8	144.5	67.1
3	Restaurants	93.3	81.9	89.7	93.3	81.9	153.1	78.9
5	Shipping	38.0	28.9	37.0	38.0	28.9	88.3	28.9
2	Soft Drinks (1926 Cl.—100)...	164.3	152.4	159.7	164.3	160.4	246.5	150.8
13	Steel & Iron	76.6	63.5	72.2	71.9	63.5	146.5	61.4
6	Sugar	18.0	12.9	15.9	16.3	12.9	45.1	12.9
2	Sulphur	193.7	170.3	185.7	193.7	170.3	268.7	163.0
3	Telephone & Telegraph	114.6	97.4	110.5	114.6	97.4	177.2	92.6
6	Textiles	31.9	23.7	29.8	31.9	23.7	70.5	21.1
7	Tire & Rubber	13.0	10.9	12.0	13.0	10.9	39.0	10.9
9	Tobacco	67.2	59.3	65.8	67.2	59.3	107.3	57.5
5	Traction	77.9	67.0	73.4	77.9	67.0	103.5	63.2
2	Variety Stores	72.1	68.5	69.4	72.1	68.5	88.7	66.5



(An unweighted Index of weekly closing prices; compensated for stock dividends, rights, and split-ups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your requests to *three securities only.*
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

BEST & CO.

My broker tells me that based on its earnings record for the past four years—increasing from $2.88 a share in 1926 to approximately $4.10 in 1930, considering changes in the capital structure—Best & Co. common has an investment worth of $66 a share, which should be reached in the next bull market. What is your judgment? I have 300 shares at 52.—E. S. J., Easton, Pa.

Although Best & Co. probably is best known for its large New York City store, a number of resort and surburban units are successfully operated and it is likely that there will be further expansion along these lines. The principal store is located on Fifth Avenue, New York City, in the heart of the shopping district, but branches in Florida, Southampton and Garden City, Long Island, and Asbury Park and East Orange, N. J., offer facilities for out-of-town customers to see and purchase any article sold in the principal store. The Palm Beach unit is the largest of its kind at that resort. Earnings have displayed a steady upward trend since 1923, the report for the fiscal year ended January 31, 1930, showing net earnings equivalent to $4.20 per share as against $3.26 in the previous fiscal year. The net income for the first six months of the year ended January 31, 1931, equalled $1.99 a share as compared with $1.73 in the corresponding period of the previous year. In the full fiscal year 1930-31, per share earnings were $4.15, a satisfactory showing, since expansion was financed out of earnings and general business was in an unsettled condition during the year. We look upon the stock as a suitable issue for holding over the longer term, since the dividend is well covered by earnings, and the outlook for Best & Co. is promising.

CORN PRODUCTS REFINING CO.

Selling at more than fifteen times estimated earnings for 1930 is Corn Products common still too high around 81? Although I would lose $1200 on 100 shares by selling now, I am willing to do so if you think I can buy at lower levels. I would appreciate your opinion and recommendation in this matter.—P. P. C., Colorado Springs, Colo.

The Corn Products Refining Co., one of the stronger units in the food industry, enjoys such a diversified business that operations are not as severely affected during times of business depression as are the one-product companies. The food industry itself possesses a great degree of stability, and the Corn Products Refining Co. has further strengthened its position by producing a number of varied products, among which are glucose, starch, corn oil, syrup, dairy feeds, and sugar derived from corn. The products are distributed both in bulk and package form. The prospects of the enterprise recently were improved by the Government abolition of the ruling which prohibited the use of corn sugar in food products, unless so labeled. While corn sugar has always measured up to high standards from the food value angle, the Government ruling tended to retard sales. Increased production of corn sugar is planned, and the results should augment earnings over the longer term. Profits in the first nine months of 1930 were equivalent to $3.50 a share, compared with $3.81 in the similar period of 1929. Full year earnings are believed to have covered the regular dividend by a good margin and financial position of the company is excellent. While the shares are not undervalued at current levels, we believe they are suitable for continued retention, provided you are willing to hold during intermediate market turns.

BANGOR & AROOSTOOK RAILROAD CO.

Now that the preliminary report of Bangor & Aroostook Railroad Co. for the year ended December 31, 1930, has been issued would you advise closing out 100 shares on which I have a small profit? Offhand, however, it seems to me that this stock is undervalued in selling at about seven times its 1930 earnings.—N. D. P., Bayonne, N. J.

The Bangor & Aroostook Railroad, operating in a district which has undergone industrial development of late, is one of the few railroads which were able to make a better showing last year than in 1929. Net income after charges in 1930 totaled $1,557,762, the highest in the history of the road, and was equivalent, after preferred dividends, to $9.27 per share on the common stock, as against per share results of $8.14 in 1929. The best previous record was in 1923, when $9.10 a share was earned on a smaller number of shares. While the Bangor & Aroostook has long been recognized as a carrier of the Maine potato crop, manufacturing activities along its line have increased. This should tend to have a stabilizing effect

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

on operations and increase earnings over the longer term. Dividends on the common stock are maintained at the annual rate of $3.50 a share. Payments have been made without interruption since 1904, and since the present rate is earned by a wide margin, an increase in the annual disbursement would appear to be justified. While traffic is reported to have declined somewhat in the first month of the current year from January of 1930, the decrease is believed to have been less than that felt by other roads, and the year 1931, as a whole, is expected to bring highly satisfactory results. We accord the issue a sound rating and believe that it is an attractive rail stock for holding over the longer term.

GENERAL AMERICAN TANK CAR CORP.

How do you rate General American Tank car common? What is your advice concerning 100 shares for which I paid 90? Is there a possibility of recovery to my purchase price due to increased 1930 earnings when bearish propaganda regarding transportation of gasoline through pipe lines has subsided?—E. G. F., Moline, Ill.

Operations of General American Tank Car Corp. may be segregated into two principal divisions; namely—the manufacture of tank and general types of freight cars and the leasing of such equipment. The importance of the company in the production end may best be illustrated by the fact that approximately one-half of the country's total tank car output is manufactured in the company's shops. However, from the standpoint of income producing, rental of tank and other cars is the most important department. As a matter of fact, the constant growth in earnings in recent years may be attributed to this factor. The management has been ever alert to adverse elements, with the result that it fully recognizes the possible losses in revenues through the increased use of pipe lines for the transportation of petroleum products. With this end in view, the company has introduced a tank car having double the present capacity. Other developments include a glass-lined tank car for the transportation of milk, and special car equipment for chemicals and helium gas, in addition to increasing its refrigerator car output. According to a recent bulletin of the company, already 48% of its cars is used for the transportation of food products. Diversification of the company's operations is largely responsible for the earnings improvement registered last year. Despite generally depressed conditions existing during the year, net income amounted to $6,518,181, equal to $8.03 a common share, compared with $5,770,741, or $7.56 a share for the calendar year of 1929. Future earnings should be augmented by the expansion of European business. Financial condition is sound; and we see no reason for disturbing present long position in the common shares, although the issue is likely to remain retarded during the immediate future, in sympathy with general market conditions.

WORTHINGTON PUMP & MACHINERY CORP.

Last June I bought 100 shares of Worthington Pump common at 150, believing that earnings for 1930 would exceed $25 a share. Now that the actual net income is estimated at approximately $7 a share, shall I take my loss or continue to hold as a speculative investment? Is the common likely to go on a dividend basis soon?—D. D. L., Flint, Mich.

The Worthington Pump & Machinery Corp., manufacturer of heavy type machines, gas and oil engines, pumps, drills, etc., is reported to have operated at a satisfactory rate last year, despite the unsettled business conditions which adversely affected practically all lines of industry. The net income in 1929, the best year since 1920, totaled $2,529,356, or $11.96 per common share, as compared with $974,000 which left nothing available for the common in 1928. It has been estimated that 1930 earnings will be equivalent to about $7 a share. The satisfactory showing last year was due partly to operating economies and efficient management. New management entered the company in 1926, and a higher earnings trend has been noted since that time. The inventory position showed improvement last year and orders on hand at the beginning of the current year are reported to have been 9% ahead of those on the books on January 1, 1930. Dividend accumulations on the preferred issues are expected to be cleared up in April of the current year, and the financial position is reported to be satisfactory. Worthington Pump common possesses merit as a speculative vehicle, but the shares are subject to wide market movements from time to time, due to the small number of shares outstanding. Dividends on the common stock do not appear to be an early prospect, although the possibility of payments on the junior shares will be greater after the preferred accumulations are cleared up. We suggest that you hold the common stock as a longer term speculation.

J. I. CASE CO.

In August of last year I paid 195 for 100 shares of J. I. Case common and now have a loss of more than $10,000. Shall I continue to hold my position in view of the doubtful agricultural outlook? Is the $6 annual dividend secure?—H. D. O., Canton, Ohio.

The J. I. Case Co., manufacturer and distributor of farm machinery products, has so diversified its output that it no longer is wholly dependent upon the varying crop situation. Its products include industrial and farm tractors, harrows, plows, harvesters, steam rollers and farming implements. The acquisition of Emerson-Brantingham in 1928 gave J. I. Case Co. the facilities for producing a full line of farm equipment machinery. This was a very important step in the progress of the company, since it formerly concentrated upon the production of the heavy type farm equipment, particularly tractors and harvester machinery. Through carrying a full line, the business risks are spread over the various crops, thus adding security to its operations. Earnings in 1929, based on the number of shares outstanding at the close of the year, were equivalent to $15.04 per share, as compared with $26.94 a share in the previous year on a smaller capitalization. The 1929 earnings were equivalent to $20.42 a share on the year's average capitalization. Profits declined after the initial quarter of 1930, and although no interim reports are available, it is likely that results for the full year will make a poor comparison with 1929 earnings. The dividend appears to be reasonably safe, although its maintenance depends upon general business improvement. Your shares might be held over the longer term as opposed to a sacrifice sale provided you are willing to assume a business man's risk.

NATIONAL CASH REGISTER CO.

Will you please let me have your analysis of the nearby outlook for National Cash Register A? Is the $3 dividend safe? Shall I continue to hold 500 shares for which I paid 46 last September?—A. F. S., Cumberland, Md.

National Cash Register Co. ranks as the world's largest manufacturer of cash registers, and is an important producer of accounting and specialty business machines, as well as credit files. The company's products are distributed through sales agencies located in the principal cities of the United States, and through subsidiaries or branch offices in foreign countries. Export business has steadily expanded, and now accounts for the greater part of its sales volume. Sales and earnings have increased each year since 1926 to and including 1929; record levels being reported in the latter year. World-wide depression, however, caused a sharp decline in earnings last year, net income for the nine months ended September 30, 1930, amounting to only $1.84 a

class A share, compared with $4.05 a share for the corresponding period of the previous year. Although economies were effected during the earlier months of last year, the management further reduced operating costs in the final quarter, with the result that full 1930 profits were estimated to be slightly in excess of $3 dividend rate on the class A shares. Prospects for the current year are dependent largely on recovery of general business conditions, and for this reason, earnings improvement must necessarily be of a gradual nature. Financial condition at the close of last year is said to have been better than that at the end of 1929, current assets being estimated at six times current liabilities. The high yield basis on which the class A shares are currently quoted, together with the narrow margin of earnings, suggests the existence of doubt as to the safety of the present $3 dividend, and much will depend on the trend of profits in next few months.

ALLIED CHEMICAL & DYE CORP.

Do you regard Allied Chemical & Dye common as a purchase around 160? What is the reason for the recent weakness in this issue compared with the action of the general list? Is it likely to sell off with other blue chips as a final stage of the current bear market?—W. S. K., Mt. Vernon, N. Y.

Allied Chemical & Dye Corp. is the outcome of a consolidation of five well known companies, which took place in 1920, and with more recent acquisitions, now ranks as one of the world's largest chemical companies. Its operations cover practically every phase of the industry, including the manufacture of heavy chemicals, commercial acids, roofing and road building materials, dyes, coal-tar products, and nitrates. It is also an important producer of coke and its by-products, as well as manufacturing coke ovens and gas plants. In connection with the production of nitrate, the company is now erecting a new plant (first unit already completed) in Hopewell, Va., to cost $125,000,000. It is interesting to note that no new financing will be necessary to complete the expansion program, all expenses being met out of current earnings and reserves built up over a period of years. With the exception of 1924, increases in earnings were registered in each year since the company's inception to and including 1929, during which year profits established record levels. Net income amounted to $12.60 a common share, compared with $11.12 a share for 1928. No interim reports are published; but it is believed that last year's earnings will compare favorably with those of the previous year, despite generally depressed conditions existing during the year. Although substantial earnings improvement is not anticipated during the early future, particularly in the light of lower 1931 contract prices recently in effect, longer term prospects are more favorable. The company has always maintained a strong financial condition, and we regard its shares as semi-investment in character. The issue is not particularly undervalued at current prices, and we see no reason to hasten purchases, unless you are willing to disregard intermediate fluctuations.

NEW YORK CENTRAL RAILROAD CO.

I hold 50 shares of New York Central common bought about a year ago at 185. Would you advise averaging on a recession to the 110-115 level? Is the $8 dividend safe, even though estimated earnings for last year amount to only $7 a share?—G. G. T., Springfield, Mo.

New York Central R. R. enjoys a unique position, from the standpoint of traffic diversification, since the territory served embraces eight states in which are produced two-thirds of all manufactures, one-half of the mine products and one-quarter of the agricultural commodities of the United States. It is also interesting to note that in this area is located approximately 50% of the country's population. An important element in the road's earning power is the fact that the greater part of its loadings, consists of manufactured goods, inasmuch as this type of traffic is more profitable. Obviously, the industrial depression prevailing during 1930 found reflection in the operations of the company; with the result that earnings for last year registered a sharp decline from those of the previous year. Net income for the twelve months ended December 31, 1930, was officially estimated at about $7.20 per share of common stock, as compared with actual per share results of $16.88 for the calendar year 1929. Despite the fact that the regular dividend was not earned last year, there is an even chance that no revision of the $8 rate will be necessary, because of the strong financial position and more favorable outlook for 1931. We regard the shares as an investment issue, and see no reason for disturbing commitments made at higher levels. Additional commitment, during recessionary periods, would seem worthy of consideration, for purpose of averaging.

CONSOLIDATED GAS CO. OF N. Y.

Would you approve buying 200 shares of Consolidated Gas of New York common at this time to hold over a period of about a year for investment and price appreciation? Do you believe any substantial increase in market value is likely to be retarded by the present political agitation against public utilities?—M. M. K., Sioux Falls, S. D.

Consolidated Gas Co. of New York occupies the unique position of being the largest producer of electricity and gas in the world. Territory served by the company embraces the City of Greater New York, and practically the entire county of Westchester, a rapidly growing suburban area to the north of the city. Its subsidiaries furnish gas and electricity to the boroughs of Manhattan and Bronx, all electricity in Brooklyn, and all electricity and part of the gas service in Queens. Electric output has shown steady gains over a long period of years, while gas sales have retarded slightly in the recent past. The company is endeavoring to overcome this tendency, through a special low rate for house heating purposes, thus stimulating greater demand. Up to the present, however, the management and the Public Service Commission have failed to obtain an agreement as to the extent the rate should be lowered. Earnings in past years have increased steadily, net for the calendar year of 1929 (latest statement available), amounting to $65,005,408, or $4.75 a common share compared with $59,592,552, or $4.52 per share for 1928. Although no interim reports are published by the company, it is believed that, despite generally depressed conditions, operations last year will compare favorably with 1929. Prospects over the longer term are favorable to continued earnings expansion; but in view of current market unsettlement, we do not advocate bidding up for the shares and suggest that fresh purchases be made only during reactionary sessions.

Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Bank Note Co.	Pfd. & Com. Div'd	2-25
American Can Co.	Pfd. Dividend	2-24
Borg-Warner Corp.	Pfd. & Com. Div'd	2-26
Brooklyn Union Gas Co.	Com. Dividend	2-26
Coca-Cola Co.	Com. Dividend	2-23
Elec. Pr. & Light Corp.	$7 & $6 Pfd. Div'd	2-25
Federal Motor Truck Co.	Com. Dividend	2-24
Gen'l Am. Tank Car Corp.	Com. Dividend	2-26
General Elec. Co.	Special & Com. Div'd	2-27
General Ry. Signal	Pfd. & Com. Div'd	2-26
Gold Dust Corp.	Pfd. Dividend	2-25
Inter'l Cement Corp.	Com. Dividend	2-25
Kelsey-Hayes Wheel Corp.	Com. Dividend	2-25
Mathieson Alkali Works	Pfd. & Com. Div'd	2-25
N. Y., N. H. & Hartford R. R. Co.	Pfd. & Com. Dividends	2-24
Otis Steel Co.	Pr. Pfd. & Com. Div's	2-27
Southern Calif. Edison Co.	Com. & Orig. Pfd. Div's	2-27
Toledo Edison Co.	7% & 6% Pfd.	2-26
United Dyewood Corp.	Pfd. Div'd	2-26
Westinghouse Elec. & Mfg.	Pfd. & Com. Div'd	2-25
Wheeling Steel Corp.	Cl. A & B Pfd. Div'ds	2-25

New York Stock Exchange

RAILS

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 2/11/31	Div'd $ Per Share
A								
Atchison	298⅝	195⅛	242½	168	202⅜	178⅛	197⅞	10
Do Pfd.	104⅞	99	108⅜	100	106⅛	102½	†105⅝	5
Atlantic Coast Line	209⅛	161	175⅛	95¼	120	105	†114	10
B								
Baltimore & Ohio	145⅛	105	122⅜	55⅝	82⅜	68⅛	82¼	7
Bangor & Aroostook	90⅝	55	84½	50⅛	64	56½	64	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅝	55⅛	64⅝	58⅜	62½	4
Do Pfd.	98⅝	76½	98⅜	82	94¼	85⅝	94¼	6
C								
Canadian Pacific	265⅞	185	52¼	35¼	44⅝	38½	43⅜	2½
Chesapeake & Ohio	279⅜	160	51⅞	32⅜	46½	39½	45¼	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅝	4¼	8⅞	5¼	8⅝	..
Do Pfd.	68⅝	28½	46¼	7⅜	15⅝	9½	14	..
Chicago & Northwestern	108½	75	89⅞	28⅛	44⅜	33	44	4
Chicago, Rock Is. & Pacific	143½	101	125⅛	45¼	65½	47¼	59½	7
D								
Delaware & Hudson	226	141⅛	181	130⅛	151	141	†150	9
Delaware, Lack & Western	169⅜	120¼	153	69⅛	102	80	95⅜	6
E								
Erie R. R.	93½	41⅛	63⅜	22⅛	37	28	36	..
Do 1st Pfd.	66¼	55⅛	67⅞	27	45	39	43½	4
G								
Great Northern Pfd.	128¼	85¼	102	51	69½	58½	68¼	5
H								
Hudson & Manhattan	58⅜	34⅛	53⅜	34⅞	44¼	37	44	3½
I								
Illinois Central	153⅛	116	136⅜	65⅜	88⅜	69⅝	87	7
Interborough Rapid Transit	58⅜	15	39½	20⅜	30⅜	24½	29	..
K								
Kansas City Southern	108⅞	60	85⅝	34	43½	35	†40	5
Do Pfd.	70½	63	70	53	62½	35	†62¼	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	53	57	3½
Louisville & Nashville	154⅜	110	138½	84	111	90⅛	110⅞	7
M								
Mo., Kansas & Texas	65⅜	27⅛	66⅝	14⅞	26⅜	20	25¼	3
Do Pfd.	107⅛	93⅞	108⅜	60	85	70	82	7
Missouri Pacific	101⅜	46	98½	20⅝	41	30½	40½	..
Do Pfd.	149	105	145½	79	107	86½	107	5
N								
New York Central	256½	160	192⅜	105⅛	129	113	126½	8
N. Y., Chic. & St. Louis	192⅜	110	144	73	88	77¼	88	6
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅞	91½	75	88½	6
Norfolk & Western	290	191	265	161½	214	200	†215	12
Northern Pacific	118⅝	75¼	97	42⅜	60⅞	47¼	58	5
P								
Pennsylvania	110	72⅛	86⅝	53	64	55⅞	62⅜	4
Pittsburgh & W. Va.	148⅜	90	121⅜	48½	86	60	76	6
R								
Reading	147⅞	101⅛	141½	73	97½	79	97½	4
S								
St. Louis-San Fran.	133⅜	101	118⅞	89⅜	62⅜	48	55½	8
St. Louis-Southwestern	115⅝	50	76⅜	18	33½	23	33⅝	..
Seaboard Air Lines	21⅜	9⅛	12½	⅛	1⅝	⅛	⅞	..
Do Pfd.	41⅝	16⅛	28	⅛	2⅛	1	1⅝	..
Southern Pacific	157½	105	127	88	109½	92⅜	108½	6
Southern Railway	162⅛	109	136⅜	46½	65⅞	47⅜	64	8
Do Pfd.	100	93	101	76	81⅞	80	†81⅞	5
T								
Texas & Pacific	181	115	145	85	100	90	†90	..
U								
Union Pacific	297⅝	200	242⅜	166½	202½	179⅜	202½	10
Do Pfd.	85½	80	88⅜	82¼	86½	83⅝	86¼	4
W								
Wabash	81⅜	40	67⅞	11¼	28	17	18⅜	..
Do Pfd. A	104⅞	82	89¼	39	51	38¼	†39½	..
Western Maryland	54	10	36	10	19¼	13¼	17¼	..
Do 2nd Pfd.	53½	14⅝	38	11¼	19	16	†17¼	..
Western Pacific	41⅞	15	30½	7½	14⅞	10	14	..
Do Pfd.	67⅜	37½	53½	23	31½	26	31½	..

INDUSTRIALS AND MISCELLANEOUS

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 2/11/31	Div'd $ Per Share
A								
Adams Express	34	20	37⅝	14¼	23	16⅛	22¼	1.60
Air Reductions, Inc.	223⅝	77	156⅝	87½	104½	92½	101½	4½
Allegheny Corp.	56½	17	35¼	5⅜	12	7⅜	11	..
Allied Chemical & Dye	354⅝	197	343	170¼	179½	153½	168½	6
Allis Chalmers Mfg.	75⅛	35⅛	68	31¼	38¼	32⅞	35⅜	3
Amer. Brake Shoe & Fdy	62	40⅛	54⅝	30	36½	32	36	2.40
American Can	184½	86	156½	104⅝	120⅜	106¼	117½	5
Amer. Car & Fdy.	106⅛	75	82½	24½	34½	27	33	6
Amer. & Foreign Power	199⅛	50	101¾	25	38¼	26¾	37⅞	..
American Ice	54	29	41⅞	24½	31⅝	23⅜	31½	3
Amer. International Corp.	96⅜	29¼	55⅝	16	22⅞	18½	22	2
Amer. Mchy. & Fdry	279⅝	142	45	29⅜	39⅜	31	33	1.40
Amer. Power & Light	175⅜	64¼	119⅝	36⅛	55½	45	52⅜	1
Amer. Radiator & S. S.	55⅝	28	39¾	15	19½	15½	18⅜	1
Amer. Rolling Mill	144⅝	60	100⅞	28	34⅜	26⅝	29⅞	2
Amer. Smelting & Refining	130⅛	62	79½	37⅞	50⅜	40⅛	48⅜	4
Amer. Steel Foundries	78⅞	25⅝	58¼	23½	29	25	27½	3
American Stores	81¼	130	65½	36½	39	37	†42⅜	2½

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (Continued)

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 2/11/31	Div'd $ Per Share
A								
Amer. Sugar Refining	94⅞	56	69⅞	39⅛	52½	42⅜	51⅛	5
Amer. Tel. & Tel.	310½	193¼	274¼	170⅜	196⅞	176¼	194⅞	9
Amer. Tobacco Com.	232½	160	127	98½	115½	104	114	6
Amer. Type Founders	181	115	141⅜	95	105	90	100	8
Amer. Water Works & Elec.	199	50	124⅞	47⅝	67½	53⅜	63⅞	3
Anaconda Copper Mining	140	67⅛	81½	25	38⅝	29⅜	37½	2½
Arnold-Constable Corp.	40⅞	6⅛	13⅜	3⅛	5	3⅝	5	..
Assoc. Dry Goods	70⅜	25	50½	19	27	22	26⅛	2½
Atlantic Refining	77⅞	30	51⅞	16⅝	22⅜	18	21⅛	1
Auburn Auto	85	40	263⅜	60⅝	191½	101½	181½	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅝	25⅛	20⅜	24⅛	1⅞
Barnsdall Corp. Cl. A	49½	20	34	8⅝	13½	11¼	12⅜	1
Beech Nut Packing	101	45	70½	46⅝	60	50	58½	3
Bendix Aviation	104⅜	25	57⅞	14⅛	22⅜	16⅞	22	1
Best & Co.	60⅞	25	56¼	30⅝	40⅝	32¼	39	2
Bethlehem Steel Corp.	140¾	78¼	110¼	47⅞	61	45⅝	59⅜	6
Bohn Aluminum	136¾	37	69	15⅜	30⅜	20⅜	28½	1½
Borden Company	100½	53	90⅝	60⅛	72⅝	67½	71⅛	3
Borg-Warner	86⅞	26	50½	15	25⅜	20⅝	25	1
Briggs Mfg.	63⅛	8½	25⅜	12⅛	19	16½	17⅜	1⅜
Burroughs Adding Mach.	96⅞	29	51⅞	18⅜	32¼	21½	30⅞	1½
Byers & Co. (A. M.)	192⅞	50	112⅜	23⅛	54⅝	37⅝	52⅜	..
C								
California Packing	84⅞	63½	77½	41⅛	47⅞	42⅜	45⅜	4
Calumet & Arizona Mining	136¾	73½	89⅞	26⅝	40	36⅜	39	..
Calumet & Hecla	61⅞	25	33⅜	7⅝	10½	8	9⅞	..
Canada Dry Ginger Ale	98⅜	45	75⅜	30½	36	29⅞	35	3
Case, J. I.	467	130	362⅜	83½	122½	81⅜	118	6
Caterpillar Tractor	61	50⅛	79⅜	22	46⅜	26⅞	44½	4
Cerro de Pasco Copper	120	52¼	65⅜	21	28⅞	22½	27	2
Chesapeake Corp.	92	42½	82½	32¼	50⅜	40	49	3
Childs Co.	75⅞	44½	67⅝	22⅞	33⅜	25½	32⅞	2.40
Chrysler Corp.	135	26	43	14⅛	20	15⅞	19½	1
Coca-Cola Co.	154½	101	191⅜	133¼	166⅞	142¼	163	6
Colgate-Palmolive-Peet	90	40	64⅞	44	94⅞	47	48½	2½
Colorado Fuel & Iron	78½	27¾	77	18⅜	29⅜	21⅞	27½	1
Columbian Carbon	344	105	199	65½	106⅜	73½	103	6
Colum. Gas & Elec.	140	52	87	30⅝	42⅜	33¼	40¼	2
Commercial Credit	62⅝	18	40⅜	15⅛	20	18½	19	2
Commercial Solvent	63	20⅛	38	14	19⅞	15¼	18⅜	1
Commonwealth Southern	24⅜	10	20½	7⅛	10⅜	8	10½	.60
Consolidated Gas of N. Y.	183¼	80½	136⅞	78¼	97	82½	95¼	4
Continental Baking Cl. A	90	25¼	52½	16⅝	29¼	17⅜	26½	..
Continental Can, Inc.	92	40½	71⅝	43½	58⅝	47	52½	2½
Continental Oil	47½	48	30½	7⅜	11½	9¼	11½	..
Corn Products Refining	126⅜	70	111⅞	65	84⅝	76½	83½	3½
Crucible Steel of Amer.	121⅜	71	93⅝	50½	63	55⅜	63	5
Cudahy Packing	67⅞	36	48	38¼	43⅞	41	43½	4
Curtis Publishing	132	100	126½	85	100	89⅞	92½	7
Curtiss Wright, Common	30½	6⅝	14⅞	1⅝	4⅝	2⅝	4½	..
Curtiss Wright, A	37⅞	13¼	19⅜	3	7½	3⅞	7	..
D								
Davison Chemical	69½	21¼	43⅝	10	17⅜	13½	16⅝	..
Drug, Inc.	126½	69	87⅞	57⅝	71¼	61½	70	4
Du Pont de Nemours	231	80	145¼	80½	97	83¼	94¼	4
E								
Eastman Kodak Co.	264¾	150	255¼	142½	172⅞	143⅜	170¼	8
Eaton Axle & Spring	76⅜	18	37¼	11⅝	17⅜	13⅜	16⅝	1.60
Electric Auto Lite	174	50	114⅞	33	61⅜	50⅝	59½	6
Elec. Power & Light	86⅝	29½	103½	34⅜	53⅞	38¼	51⅜	1
Elec. Storage Battery	104½	55	79¼	47½	59¼	50⅞	58½	5
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	41	30	36	5
F								
Firestone Tire & Rubber	37	24½	33¼	15¼	18¼	17	18½	1
First National Stores	90	44½	61⅜	38⅝	49	41	47¼	2½
Foster Wheeler	95	33	104½	37½	59⅝	41½	57⅝	2
Fox Film Cl. A	105⅝	19½	57⅞	16½	36½	25⅝	35⅜	4
Freeport Texas Co.	54⅞	23¾	55½	24½	37⅝	28½	36⅝	4
G								
General Amer. Tank Car	123½	75	111⅞	53½	68⅜	57⅞	68	4
General Asphalt	94⅜	42¼	71½	22⅝	40½	24½	39	3
General Electric	403	168½	95⅜	41½	50½	41⅞	49⅛	1.60
General Foods	81⅜	35	61¼	44⅜	54	47⅜	53¼	3
General Mills	89½	50	59½	40½	48⅜	44	45⅝	3
General Motors Corp.	91⅜	33½	54¼	31½	44¼	35¼	43½	3
General Railway Signal	126½	70	106⅞	56	76½	68	75¼	5
General Refractories	88½	50	90	39	54	40	51⅞	4
Gillette Safety Razor	143	80	106½	18	34	21½	31⅞	4
Gold Dust Corp.	82	31½	47⅞	29	38	31¼	37½	2½
Goodrich Co. (B. F.)	105¾	38¼	58¼	15¼	18	15¼	17¼	..
Goodyear Tire & Rubber	154½	60	96⅞	35½	48	38⅜	46½	5
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	19½	15½	18½	2
Grand Union	32⅞	9½	20⅝	10	15⅝	10⅝	14¼	..
Great Western Sugar	44	28	34½	7	11⅞	7⅜	9⅜	..
Gulf States Steel	79	42	80	15	27	18⅝	26½	..
H								
Hershey Chocolate	143⅞	45	109	70	91½	87	91	5
Houston Oil of Texas	109	26	116⅞	29¼	47½	35¼	45	..
Hudson Motor Car	92½	35	62⅞	18	26	18⅝	22	3
Hupp Motor Car	82	18	26⅝	7½	11⅜	7⅜	11½	..
I								
Inland Steel	113	71	98	58	65	59⅜	64	4
Inter. Business Machines	225	109	197½	131	170	145½	167	6
Inter. Cement	102¾	48	75⅜	49½	62½	49⅝	60⅜	4
Inter. Harvester	142	65	115⅜	45½	56⅝	48	54½	2½
Int. Match Pfd.	102½	47	92	52¼	68	55	67	4
Inter Nickel	72⅜	25	44⅜	12⅜	17¼	13⅞	16½	.60
Inter. Paper & Power "A"	112	57	31½	5¼	9	6⅞	8	..
Inter. Tel. & Tel.	149¼	53	77⅜	17½	31⅝	18⅜	29⅝	2
J								
Jewel Tea	84½	45	66½	37	57½	39¼	55⅝	4
Johns-Manville	242¾	90	148⅜	42⅝	74⅞	59½	73	3
K								
Kennecott Copper	104⅞	49⅝	62⅜	20½	27⅝	22½	26⅜	2
Kresge Co. (S. S.)	57½	28	38⅜	26½	27⅞	25	27½	1.60
Kreuger & Toll	46⅝	22½	35⅞	20⅜	24½	20⅞	23⅜	1.60
Kroger Grocery & Baking	122¼	32¼	46½	17⅝	26⅝	18	23	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 2/11/31	Div'd $ Per Share
L								
Lambert Co.	157¼	80⅛	113	70¾	85½	77⅛	83⅛	8
Lehn & Fink	68½	28	36	21	33	24	33	3
Liggett & Myers Tob. B	106	80¼	114⅝	78¼	91⅝	83	88¾	5
Liquid Carbonic	113⅞	40	81⅞	39	48¾	41⅜	48	4
Loew's Inc.	84½	32	95¾	41⅜	57½	45¼	55¼	3
Loose-Wiles Biscuit	88⅝	39⅛	70¼	40¼	53¼	43¾	51¼	2.70
Lorillard	31½	14¼	28⅛	8⅜	15⅞	11⅜	14⅞	..
M								
Mack Truck, Inc.	114¾	55½	88½	33⅝	42¼	35¾	40¼	4
Macy (R. H.)	255½	110	159¼	81⅝	99⅛	83	98⅞	3
Magma Copper	82½	35	52⅛	19¼	24	20¼	23	3
Marine Midland	..	..	32⅛	17¾	23½	19⅝	22¾	1.20
Mathieson Alkali	72⅝	29	51⅜	30⅛	31½	23⅛	26	2
May Dept. Stores	108⅛	45⅛	61⅜	27¾	35⅞	28⅝	33¾	2½
McKeesport Tin Plate	82	54	89½	61	81⅞	71½	80⅛	4½
Mont. Ward & Co	156⅝	42⅝	49⅞	15⅛	24⅞	15¾	24¼	..
N								
Nash Motor Co.	118⅞	40	58⅛	21¼	35	27¼	34	4
National Biscuit	236¾	140	93	68⅝	82⅛	76	81⅜	2.80
National Cash Register A	148¾	59	83⅛	27⅝	38	29	35⅞	3
National Dairy Prod.	86½	36	62	35	46⅝	38¼	45¾	2.60
National Lead	310	129¼	189½	114	132	118½	128⅞	5
National Power & Light	71⅜	23	58⅜	30	39	31⅝	37⅜	1
North American Co.	186⅜	66½	132⅞	57¼	84⅛	62	82½	§10%
O								
Otis Elevator	55	22¼	80⅝	48¼	58½	52¼	55	2½
Otis Steel	55	23¼	38⅞	9½	15⅛	10	14¼	..
P								
Pacific Gas & Electric	98¾	42	74⅞	40⅛	50	45¼	48	2
Pacific Lighting	146½	58⅛	107⅞	46	61	50¼	59¾	3
Packard Motor Car	32½	13	23⅜	7¼	10¾	8¾	10½	.60
Paramount Publix	75½	35	77¼	34¾	50	36⅝	49⅛	4
Penney (J. C.)	105¼	66	80	27⅝	35⅞	28⅛	35⅛	3
Phillips Petroleum	47	24¼	44¾	11⅛	16⅝	12¼	14⅛	2
Prairie Oil & Gas	65⅝	40½	54	11¼	18⅞	12¾	14⅜	2
Prairie Pipe Line	65	45	60	16⅝	23¼	17⅞	22	5
Procter & Gamble	98	43⅛	78⅞	52⅝	70⅜	68	70¼	2.40
Public Service of N. J.	137⅝	54	123¾	65	86⅞	72	83¾	3.40
Pullman, Inc.	99¼	73	89⅜	47	58	49¾	55½	4
Pure Oil	30¾	20	27¼	7⅝	11⅞	8¾	10⅛	..
Purity Bakeries	148⅝	55	88⅞	36	49½	38	47	4
R								
Radio Corp. of America	114¾	26	69⅝	11⅜	19⅜	12	18¾	..
Remington-Rand	57⅜	20⅝	46½	14⅛	17¼	15⅛	16⅜	1.60
Republic Steel	146¼	62¼	79½	10⅛	20½	12	19⅝	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	45¾	40⅜	45¼	3
Royal Dutch	64	42⅛	56½	36⅝	42⅝	37¾	42	1.34
S								
Safeway Stores	195¼	90⅛	122⅜	38¾	52¼	38⅝	49¾	5
Sears, Roebuck & Co.	181	80	100⅝	43⅛	57¾	44⅞	56¼	2½
Shell Union Oil	31⅝	19	25⅛	5¼	10¼	7⅜	9¾	..
Simmons Co.	188	59½	94⅞	11	20⅜	14⅜	19⅛	..
Sinclair Consol. Oil Corp.	45	21	32	9⅜	13¼	10⅛	12½	1
Skelly Oil Corp.	46½	28	42	10⅛	12⅞	8½	10	..
So. Cal. Edison	93¼	45⅛	72	40⅛	51⅞	45⅜	50¾	2
Standard Brands	44¾	20	29¼	14⅛	19¼	16¼	18⅞	1.20
Standard Gas & Elec. Co.	243⅜	73⅛	129¼	53⅛	72⅜	58	70⅞	3½
Standard Oil of Calif.	81⅞	51½	75	42¼	50⅜	45⅛	49⅞	2½
Standard Oil of N. J.	83	48	84⅞	43⅛	51¼	45¾	50⅛	2
Standard Oil of N. Y.	48⅛	31¾	40⅜	19¾	26	22½	25½	1.60
Stewart-Warner Speedometer	77	30	47	14⅜	19⅛	14½	16	..
Stone & Webster	201½	64	113⅜	37½	47⅜	37¾	41¾	4
Studebaker Corp.	98	38¼	47¼	18⅛	24⅞	20¼	22½	1.20
T								
Texas Corp.	71⅞	50	60⅛	28¼	36¼	30⅛	33¾	3
Texas Gulf Sulphur	85¼	42⅛	67⅝	40¼	52⅝	45¾	51⅝	4
Tide Water Assoc. Oil	23½	10	17⅜	5⅞	9	6⅛	7⅞	.60
Timken Roller Bearing	139⅝	58½	89¼	40⅝	51⅛	43	51	3
U								
Underwood-Elliott-Fisher	181⅝	82	138	49	68⅛	51½	66	5
Union Carbide & Carbon	140	59	106⅝	52⅛	65½	55½	63⅝	2.60
United Aircraft & Trans.	162	31	99	18⅜	32⅞	22⅛	31¾	..
United Corp.	75½	19	52	13⅞	24	16⅛	23½	..
United Fruit	158⅛	99	105	46⅛	61¼	51¼	61	4
United Gas Imp.	59⅝	22	49⅜	24¼	31	27¾	30¼	1.20
U. S. Industrial Alcohol	55⅞	12	139⅜	50⅛	69⅝	54	68¾	6
U. S. Pipe & Fdy.	243⅝	95	38¼	18⅛	34¼	27⅜	32½	2
U. S. Realty	119½	60⅛	75⅛	25	34⅞	26¼	34¾	3
U. S. Rubber	65	15	35	11	14⅛	11⅜	14	..
U. S. Smelting, Ref. & Mining	72⅞	29⅝	36½	17½	22	18½	21	1
U. S. Steel Corp.	261⅝	150	198¾	134⅝	148⅝	137⅞	147	7
V								
Vanadium Corp.	116⅛	37⅛	143⅛	44⅝	63½	45⅛	60⅞	3
W								
Warner Brothers Pictures	64⅛	30	80¼	9⅝	19¼	13	18	..
Western Union Tel.	272¼	155	210¾	122½	149	130	145	8
Westinghouse Air Brake	67⅜	26⅛	52	31¼	35	33	34⅜	2
Westinghouse Elec. & Mfg.	292⅝	100	201⅛	88⅛	99⅝	82⅜	95⅛	5
White Motor	53½	27¼	43	21⅝	26¼	22	23⅞	2
Woolworth Co. (F. W.)	103⅝	52¾	72⅝	51⅛	63	54⅜	62¾	2.40
Worthington Pump & Mach.	137⅝	42	169	47	98	59⅝	94½	..

† Bid Price. § Payable in stock.

Standard Gas & Electric Co.

(Continued from page 555)

amounted to $18,702,049, an increase of 35% over the net on the common for the 1929 period, and were equal to $5.79 a share on the 2,162,607 no par shares against $6.23 on 1,562,607 shares in the 1929 period.

The outlook for the system over the longer term is encouraging, although depressed industrial and business conditions have no doubt temporarily slowed down the normal growth. The extensive diversification of its properties tends to mitigate these effects. The management's confidence in the future is emphatically expressed in its 1931 construction budget of $43,596,257, a considerable part of which will be used toward increasing capacity at various points, especially in the electric and gas departments.

A period of business recovery should find Standard Gas & Electric Co. in a favorable position to experience a rapid growth in earnings. The system has a broad base for expansion and is unquestionably an attractive long term equity holding for the investor. Paying a dividend of $3.50, the stock at the current price of 72 returns a yield of 4.9%. As outlined in the beginning, three other means are available for making a commitment in this particular equity.

Atchison, Topeka & Santa Fe

(Continued from page 553)

Atchison, Topeka & Santa Fe Railway Co., the present company, was chartered under Kansas laws, December 12, 1895, the period following the disastrous panic of 1893, during which practically all the large western roads, except Southern Pacific and Great Northern, went through receivership and reorganization. It is the successor company to the Atchison, Topeka & Santa Fe Railroad Co., which was chartered, also under Kansas laws, February 15, 1859. The main line of the old company was not opened for traffic until February 20, 1873. At that time the so-called system consisted of 471 miles of road, while at the time of the organization of the present company in 1895 the system and controlled lines had expanded to 6,481 miles. At the end of 1930 the mileage had nearly doubled to around 13,000.

The system as operated and controlled extends from Chicago, via Kansas City, to Los Angeles, San Francisco, San Diego, Calif., and Galveston, Texas, with various branches throughout Missouri, Kansas, Oklahoma, Texas, California, New Mexico and Arizona.

Atchison's management never has favored the absorption of a large number of other roads under any general consolidation plan, such as that of the I. C. C. of December, 1929. It has preferred to take over a property from time to time to round out its system and not to go beyond its present general territory. The latest acquisition on this basis was the Kansas City, Mexico & Orient, about 725 miles, built in disjointed sections by the late A. E. Stilwell, and extending southwesterly from Kansas City to the Mexican border.

The Atchison always has built a certain amount of new short line mileage each year, also to develop its territory. The largest undertaking of this kind in recent years has been 330 miles of road in the Panhandle and South Plains sections of Texas, of which about 90 miles have been completed. President Storey says that the further construction of these lines, which will open up extensive agricultural territory, will be pushed to completion "as rapidly as conditions warrant."

Following out the new policy of coordinating transportation facilities, Atchison has negotiations underway with Burlington for use of its line into St. Louis and its terminal there, while in turn Burlington would use Atchison's new line, which, with its own, would give Burlington a shorter route and lower grades between St. Louis and Kansas City.

Atchison and Southern Pacific together practically controlled traffic in and out of California until the Panama Canal offered formidable competition for slow-moving freight, going a long distance, and the coming of the motor bus and truck on such an extensive scale. Still more recently Western Pacific, owned by Arthur Curtiss James, said to be the largest individual railroad stockholder in the United States, if not in the world, has gradually increased a foothold for his company in the Golden State. Recently the I. C. C. authorized Western Pacific to build a line into San Francisco in spite of vigorous opposition by the two big systems.

Atchison has access to the enormous agricultural products of California, Texas, Kansas and Oklahoma and to the rich oil fields of those states. In 1929 products of agriculture contributed 11,635,090 tons, 22.84%, of Atchison's total carload freight traffic of 49,638,867 tons. Products of mines supplied 35.98%, manufactures and miscellaneous 30.12%. In the same year Atchison carried only 55,621 tons of anthracite coal and 3,569,328 of bituminous. President Storey says that because of this relatively small coal tonnage the company will not be greatly affected by natural gas lines.

Atchison has approximately $365,802,100 stock outstanding, of which $241,629,300 is common and $124,172,800 preferred. The latter carries a 5% dividend, and, as noted at the outset, dividends at the rate of $10 a share are being paid on the junior issue. Already the first quarterly instalment of $2.50 has been declared. In 1929 nearly $23 a share was earned on it, while for 1928 the rate was down to around $18 a share. Apparently for 1930 net income will be equal to from $12.50 to $12.85 a share. At the current price of around 200 for the common the yield on the investment is approximately 5%. No common stock of an American railroad is more secure, unless it be that of Norfolk & Western.

We Rally from Business Shell-Shock

(Continued from page 540)

between stock market speculation and bank credit is too intimate.

Looking at the Bright Side This is no Pollyanna thesis but it is just as fallacious to overlook the bright side of the situation as it was to kid ourselves a year ago. After the shocks the country has received none will be so bold as to say that it will not have more before it is again in smooth waters under smiling skies—and recovery will crawl at best—but that is not a reason for not casting up the assets of the situation. We are losing hysteria and gaining in composure. We are finding that our diagnoses of our sufferings were worse than the actualities, that the symptoms were worse than the maladies.

Looking over 1930 for bright spots for shell-shock therapy people are struck by the fact that a large part of the contraction was supplied by construction, steel and automobiles. But even at that the steel and auto group did not fall off so much as in 1920 and the bottom of 1930 was higher than the top of 1920 and not much below 1927. The total volume of manufactures in depressed 1930 was far more than in booming 1920. In foods and tobacco consumption showed scarcely any decline from 1929.

The gasoline consumption was the largest in history.

There was only a slight contraction in electric power output and the utilities enjoyed greater earnings than ever.

The collapse of prices is nothing like

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Feb. 11, 1931

Name and Dividend	1930 Price Range High	1930 Price Range Low	Recent Price
Aluminum Co. of Amer.	166½	140½	161
Aluminum Pfd. (6)	109⅛	106¾	109
Amer. Cyanamid "B"	10¾	7⅝	10⅛
Amer. Gas Elec. (1)	97⅛	70⅝	79¼
Am. Lt. & Traction (2½)	50¾	43	50
Amer. Superpower (.40)	14⅝	9⅝	13⅞
Assoc. Gas Elec. "A" (2)	21⅝	17⅛	21¼
Braz. Tr. L. & P. (Stk. 8%)	26½	21	25½
Central States Elec. (.40)	11⅛	9	11¼
Cities Service (.30)	20	15	20
Cities Service Pfd. (6)	83⅞	79¾	83⅞
Comwlth Edison (8)	252¾	221	252¾
Cons. Gas of Balt. (3.60)	98	82	91¼
Consolidated Laundries (1)	15	10	14¼
Cord Corp.	10¼	5⅞	9⅝
Deere & Co. (1.20)	42	33⅛	36¼
Elec. Bond Share (Stk. 6)	50⅝	40	49
Ford Motors of Can. A (1.20)	25¼	21⅞	24
Ford Motors, Ltd. (.37½)	19⅞	14⅜	18¾
Fox Theatre A	6⅛	4⅛	5¾
General Baking	1⅝	½	½
General Baking Pfd. (3)	35	27	29¾
Glen Alden Coal (8)	60	54	54
Goldman Sachs T.	8⅝	5¼	8
Gulf Oil (1.5)	75⅛	63¾	69⅛
Hecla Mining (1)	7⅛	6⅛	6¾
Humble Oil (2½)	69¾	57⅝	67¼
Hygrade Food Products	3⅝	2¾	3⅝
Insull. Util. Inv. Inc. (Stk. 6%)	48½	29½	48½
Insur. Securities Inc. (.70)	8	6⅛	7¾
Internat. Pet. (1)	15½	13⅝	13⅞
International Utilities B	8⅛	5⅛	8
Lone Star Gas (1)	29	24	27
Metro Chain Stores	2¼	1⅜	2¼
Mid. West Util. (8% Stk.)	24¾	17⅛	24¾
Missouri-Kan. Pipe Line (Stk. 10%)	11	5	7
National Fuel Gas (1)	26½	21⅝	25½
New Jersey Zinc (3)	51	46¼	48¼
New Mex. & Arizona Land	2¾	1⅞	2¾
Newmont (4)	54⅞	41½	54
Niagara Hudson Power (.40)	11⅞	9¼	11⅝
North. States Power A (8)	133¼	123¾	133¼
Pennroad Corp. (.20)	8½	6⅛	8
St. Regis Paper (1)	15½	13⅝	15¼
Salt Creek Producers (2)	7⅜	6⅛	6⅜
Stand. Oil-Ky. (1½)	23⅝	20⅝	22½
Standard Oil of Ind. (2)	38½	35	35⅝
Stand. Oil-Ohio (2½)	62½	49⅝	55
Transcontinental Air Trans.	4⅞	3⅝	4¼
Trans Lux	9¼	6⅝	9
Tubize Chatel "B"	4¾	3⅝	4½
Ungerlieder	27	21¼	25¾
United Founders (2/35 share)	9⅞	6⅞	9
United Lt. & Pow. A (1)	29½	23	29¼
United Lt. & Pow. cv.Pfd. (6)	99⅞	94¾	99¾
Utility & Indus. Corp.	9	5¾	8⅝
Utility Pow. & Lt. (1.02½)	12½	9	12
Vacuum Oil (4)	69¾	52⅝	65

CURB prices reflected the strength and heavier buying that prevailed on the Big Board, making substantial gains through the list. Utility stocks were prominent leaders of the advance on the Curb during the past fortnight, *Electric Bond & Share*, *American Superpower* and *American Light & Traction* standing out prominently in this group. Investment trust issues on the Curb were more active, receiving more interest in view of the advancing values of the issues held in portfolio.

International Utilities Corporation

There was a good deal more activity in *International Utilities* issues during the fortnight, reflecting the better demand for public utility equities, and the prospects of substantial profits which this concern stands to make from its current commitments in utility securities at the current low prices. At the present time International Utilities is expanding a portfolio of standard investment issues through its wholly owned subsidiary, the Utility Shareholdings Corp., Ltd.

Last year the company transferred its own holdings in electric light and power and natural gas properties in Alberta, Saskatchewan and British Columbia to the latter company in exchange for its entire outstanding stock. A resale of this property brought liquid funds into the treasury of the investment trust subsidiary at a time when profitable commitments were available in the open market. Although the parent company formerly limited its commitments exclusively to public utility properties, the investment policies of Utility Shareholdings is somewhat less limited. While public utility shares still occupy a prominent position in its portfolio (including over fifty thousand shares of British Columbia Power Corp. Class A and B shares) it has diversified its list to include such standard issues as National Dairy Products, Consolidated Gas, Borden's, Union Carbon & Carbide and other common stock investments, providing a widespread source of income and potential investment profits. The company has also sold certain of its American utility properties to large holding companies in this country and will reinvest the proceeds in somewhat the same manner.

Aside from the official statement that these transfers were made at a substantial profit, insufficient data are available to definitely appraise the position of the company's outstanding securities on the basis of its new activities. Average earning power of the utility properties in recent years was equal to approximately $4 a share on the Class B stock, however, and, upon reinvestment of this income, should be approximated from diversified holdings of the wholly owned trust.

(*Continued from page 581*)

as bad as it was in 1920, although reaching a lower level.

In physical volume department store sales in 1930 were as large as in 1929, and in value only slightly less. Chain store sales increased in volume and fell off only 1.7 per cent in value.

Capital issues of securities in 1930 aggregated 7 billion dollars, exclusive of refunding, 3 billion dollars less than in 1929, but only a billion less in domestic issues; and the latter were larger than any preceding year except 1929 and 1928. No indication here that people with money have lost faith in the United States, although they are a bit dubious about the outside world.

Notwithstanding the gloom of the stock exchanges, the aggregate of interest and dividend payments on securities was considerably ahead of that of 1929. Not a few corporations actually did better in 1930 than in 1929.

The railroads are swathed in depression but with 3,500,000 trucks on the road they did much better than in 1920.

While millions of people are out of work and most of those employed are earning less than they were two years ago, savings deposits are larger. Savings increases may not be an evidence of present prosperity but they are guarantees of national solvency and are full of promise for the future.

The world situation is admittedly most realistically reactionary but the thought "to hold" by the shell-shocked against that fact is that foreign trade is only a 7 per cent element in our total. Improvement of business from now on, barring some cataclysm at home or abroad, is conceded to be largely a matter of mental attitude. In looking over the debris of 1930 one cannot but be struck by the fact that there has been little curtailment in the consumption of the necessaries of life. People seem to have eaten and worn about as much as ever. In times of distress and apprehension it is the more costly luxuries and the more or less dispensable things that suffer.

A rich nation, like the United States, goes on about as usual, perhaps a little stronger, with bread and butter requirements and some of the petty luxuries. In the last great depression, that of 1920-21, we ate more corn, flour, potatoes, apples and eggs per capita than we did in the following boom years, and almost as much meat. Prosperity with us is mostly a matter of luxury consumption. We have plenty of capacity right now for luxury consumption and plenty of buying power to bring back a good measure of prosperity without the aid of consent of other nations whenever we shall get into a buying mood. The rate at which we get into it depends upon the rate of our recovery from shock.

Securities Analyzed, Rated and Mentioned in This Issue

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$2.00	Amer. Bank Note......	$.50	Q	3-9	4-1
1.00	Am. Rad'r & Stan. San.	.25	Q	3-11	3-31
5.00	Am. Sugar Refining Co.	1.25	Q	3-5	4-2
3.52	Bangor & Ar'took R.R.	.88	Q	2-28	4-1
2.40	Crown Cork & Seal Co.	.60	Q	2-28	3-16
9.00	Delaware & Hudson Co.	2.25	Q	2-26	3-20
4.00	Drug, Inc.	1.00	Q	2-16	3-2
.60	Inter'l Nickel Co.	.15	Q	3-2	3-31
1.75	L'ville Gas & El. "A".	.43¾	Q	2-28	3-25
1.75	L'ville Gas & El. "B".	.43¾	Q	2-28	3-25
10.00	Norfolk & West'n Ry..	2.50	Q	2-28	3-19
Stk.	North American Co....	2½%	Q	3-5	4-1
3.40	Pub. Serv. Corp. N. J..	.85	Q	3-2	3-31
2.00	St. Joseph Lead	.50	Q	3-9	3-20
2.00	Spalding (G. A.) Bros.	.50	Q	3-31	4-15
2.00	Stand. Oil of Nebraska.	.50	Q	2-25	3-20
1.60	Stand. Oil of N. Y....	.40	Q	2-20	3-16
1.00	Sun Oil Co.............	.25	Q	2-25	3-16
1.20	United Gas Imp'ment..	.30	Q	2-28	3-31
7.00	U. S. Steel Corp.......	1.75	Q	2-28	3-30
4.00	Vacuum Oil Co........	1.00	Q	2-28	3-20

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

STANDARD OIL ISSUES
We have available for distributing descriptive circular on all the Standard Oil issues. (219).

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to large and small investors. (225).

"FOR INCOME BUILDERS"
describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Build a permanent independent income through the systematic investing. (318)

7% INSTALLMENT SAVING CERTIFICATES
of a Colorado building and loan association operating under strict state supervision—their investment features and why—are explained in an interesting folder. (467).

BELL TELEPHONE SECURITIES
is the title of a booklet containing investment suggestions for the careful investor. If you are interested in the securities of this important public utility, send for your free copy. (727).

A COMPLETE FINANCIAL LIBRARY IN 11 VOLUMES
These eleven Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at moderate cost. Write for descriptive circular. (752).

AMERICAN COMMONWEALTHS POWER CORP.
has issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

TRADING METHODS
The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. (785).

BYLLESBY MONTHLY NEWS
contains many sound investment suggestions; also keeps you in touch with the investment market in general and gives timely information on various units of the Byllesby organization. Send for 792.

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An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

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An informative and interesting analysis of the advantages offered by Preferred Stocks in general and Utility Preferred Stocks in particular, showing present high yields and other advantages. (824).

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A pocket size form for the listing of stocks and bonds will be forwarded upon request without charge. Otis & Co., 216 Superior avenue, N. E., Cleveland, Ohio, or 827.

"NATIONAL STOCK ANALYSIS"
will assist you in judging the comparative value of stocks in which you may be interested. This comprehensive booklet contains latest available data regarding listed stocks, classified by industries. (844).

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

MISSOURI PACIFIC RAILROAD
Of this important carrier the 1st and Refunding 5s, due 1981, are recommended by A. G. Becker & Co. Priced at 95 and interest, the yield is over 5.25%. For details write for 863.

FORECASTS OF THE '31 STOCK & BOND MARKETS
Newburger, Loeb & Co. have prepared a digest of forecasts by well-known authorities of the course of stock and bond prices and general business conditions for the coming year. A copy upon request. (864).

STOCK EXCH. SERVICE FOR SMALL INVESTORS
M. C. Bouvier & Co. have recently issued this interesting booklet covering their methods in executing orders for small investors. A free copy will be forwarded upon request. (865).

THE OUTLOOK FOR PUBLIC UTILITY EQUITIES
is the title of a booklet just off the press, issued by Pynchon & Co. If you hold public utility securities, you should have a copy of this booklet, which will be forwarded upon request. (866).

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, February 2..........	84.30	168.71	108.26	154.30	151.98	1,156,368
Tuesday, February 3..........	84.37	169.71	108.57	155.33	153.26	1,184,141
Wednesday, February 4.......	84.61	171.13	108.47	156.23	154.18	1,523,795
Thursday, February 5........	84.93	169.38	107.33	155.51	152.94	1,458,941
Friday, February 6...........	85.06	169.83	107.59	156.19	153.70	1,667,154
Saturday, February 7.........	85.15	172.90	107.99	156.60	154.17	1,160,980
Monday, February 9..........	85.43	177.72	109.08	160.69	156.43	4,015,845
Tuesday, February 10.........	85.47	181.20	111.07	165.34	159.73	4,762,785
Wednesday, February 11......	85.44	181.86	110.71	166.25	161.54	4,691,370
Thursday, February 12........	HOLIDAY	EXCHANGE	CLOSED			
Friday, February 13..........	85.40	180.99	109.83	164.42	161.09	2,752,739
Saturday, February 14........	85.31	180.41	109.19	162.33	160.11	1,100,250

Our Investment Stake in South America

(Continued from page 543)

Chile When the well informed American thinks of Chile he is reminded of two other words. They are nitrate and copper. In Chile nitrate and Guggenheim are practically synonomous because the Guggenheim interests of New York have for years been the principal developers of the nitrate properties of this country, which, incidentally, are the only known nitrate deposits in commercial quantities.

Now that the Guggenheims have entered into precedent shattering and unqualified partnership with the Chilean government for the development of nitrate lands the relationship is even more intimate.

Direct investments alone of American capital	**423 million**
Buys from us annually,	**50 million**
Sells us annually	**100 million**

If we examine the high spots of the new agreement we may well recognize therein seeds which may some day bear international complications of a series nature.

The partnership arrangement has been brought about by the formation of The Chile Nitrate Co., in which the Chilean government will hold a 50 per cent interest and the Guggenheims and several smaller companies the balance, according to their ownership of nitrate lands. The Guggenheims control about 40 per cent of the nitrate deposits, thus their interests in the new company will be in about the same ratio. The corporation will take over practically all the nitrate lands in Chile, including those owned by the government.

In return for its half interest in the corporation the Chilean government has had a law passed which eliminates the Chilean export tax on nitrates, which amounts to about thirty million dollars per year. For the first three years the new corporation promises to pay the government a minimum return of $22,000,000 the first year, $20,000,000 the second year and $17,500,000 the third year. After the third year the government will rely upon its regular dividends from the nitrate corporation with the addition of a 6 per cent income tax on nitrate earnings to compensate it for the loss of revenue resulting from the elimination of the export tax.

There is a further stipulation in the agreement that the Chilean government cannot pledge or sell its share in the Chile Nitrate Co. and that the Guggenheim process for the extraction of nitrates is to be used exclusively. This process is said to be twice as effective as any other and 40 per cent cheaper. It was not made clear in the news dispatches whether or not the Guggenheims will receive any special compensations for the use of their process.

But nitrates are but a part of economic importance of Chile. Copper is a ranking rival. The investment of American money in these two industries in Chile, copper and nitrates is estimated at 330 million dollars. Not only the largest but the low cost producing copper mines in the world are located there. The Kennecott-owned Braden properties produce about 140 million pounds annually and enjoy reserves estimated as high as 10 billion pounds. Anaconda is represented through its holdings in Andes Copper Mining Co. and which is in possession of the largest ore body in the world, and can produce some 400 million pounds a year with double that capacity were its mines fully developed.

Other American companies operating in Chile include such names as Ford, Du Pont, U. S. Steel, and Colgate & Co. As might be expected the International Telephone & Telegraph Co. has commercial radio service to and from Chile and owns and operates the Chile Telephone Co.

Peru Several months ago when words of the revolution in Peru reached the United States the immediate reaction of American business was to determine just what financial and industrial stake we had in the troubled country. We learned with commendable promptness that we had invested in the country about $215,000,000, $85,000,000 of which was a government loan floated by the National City Bank and Seligman Co., both of New York. At the same time it was revealed that our investments in Peru in 1913 amounted to a mere thirty-five million dollars.

American Investments,	**215 million**
Buys from us annually,	**25 million**
Sells us annually	**20 million**

A substantial part of the balance of the $215,000,000 investment represented the Guggenheim control of the Northern Peru Mining & Smelting Co., a large copper and silver company, the mining interests of the Cerro de Pasco Co. of New York and several other American corporations. Naturally the far-flung International Telephone & Telegraph Co. controls the Peruvian telegraph system, the Lima Telephone Co., and the Peruvian Telephone Co., the latter of which operates 65 per cent of the phones in Peru.

The Foundation Co. of New York is another American company with wide interests in Peru. It constructs dams, railroads, sanitation systems and public works, in various parts of Peru and it acts as banker as well as engineer.

Not long ago this company loaned the Peruvian government fifteen million dollars in exchange for bonds. It then built public works in Peru, being paid therefor by the same funds it had just loaned the government.

As the world's principal producer of vanadium Peru has afforded our financiers another opportunity to practically monopolize a natural resource of a foreign land. The Standard Oil Co. of New Jersey, through its subsidiary, the International Petroleum Co., has also taken advantage of Peru's natural resources and now has more than seventeen hundred producing wells in that nation.

Venezuela As in other nations in other parts of the world, oil has been Venezuela's principal attraction to foreign capital. And also, as in other parts of the world, the Royal Dutch Shell Co. and the Standard Oil interests are the most aggressive competitors for the oil. Venezuela, as the second largest oil producing nation in the world, offers an unusually rich and fruitful battlefield for two such giants of the oil industry.

A World Factor in Its Potential Oil Supply	
Buys from us annually,	**45 million**
Sells us annually	**50 million**

The Standard interests, with their characteristic foresight and resourcefulness, have located their refinery on the island of Aruba, ninety miles off the Venezuelan coast. In this way they are well isolated in the event of internal troubles in Venezuela, and they are able to control their operations and activities with much less interference than might be the case were they located on the mainland.

The new refinery which they have just completed on this island is said to have cost thirty million dollars and it

has a capacity of four million gallons of high grade gasoline every twenty-four hours. This makes it one of the largest such refineries in the world.

Colombia Because Colombia enjoys greater political stability than the other South American nations she promises, in the opinion of experts, to attract an increasingly greater proportion of our surplus dollars for the development of her inviting natural resources. The country has had no revolution since 1903.

The country's record for meeting her international obligations was indicated recently by the fact that American bankers loaned her 20 million dollars until such time as she is able to float a public loan. Colombia's external debt is estimated at well over 200 million dollars, most of which is owed the United States.

Ranking as the eighth oil producing nation of the world it has been calculated that such organizations as Standard Oil of New Jersey, Standard Oil of California, Gulf Oil, Texas Co., Indian Refining Co., and Richfield Oil Co. have invested in excess of 100 millions in Colombia's rich oil lands.

Other United States corporations interested in Colombia are the International Telephone & Telegraph Co. which has radio communication facilities at Bogota and the American Foreign Power Co. which has an operating subsidiary in the country.

As the second largest coffee producer in the world Colombia exported to us in 1928, 69 million dollars worth of the bean. Her exports of oil to the United States during the same year were valued at 17 million dollars. We exported to her merchandise valued at 59 million dollars, the majority of which was machinery, cotton goods and automobiles.

Bolivia If it is not now it might well be an axiom that wherever there is undeveloped mineral wealth there also will be found the financial and industrial power of the United States reaching out in an endeavor to control, dominate and often to exploit it. Thus in Bolivia, a country unusually rich in natural resources, we find such powerful organizations as the Standard Oil Co. of New Jersey, the National Lead Co., the Guggenheims drawing from the soil of Bolivia a great variety and quantity of minerals.

The Standard Oil Co. has a Bolivian concession covering more than seven million acres of oil lands for a fifty-five-year period. The concession includes the right to build and operate railroads, harbors, telephone and telegraph lines and other public utilities.

Since Bolivia produces one-quarter of the world's output of tin it is not surprising to find that the National Lead Co. invested thirty million dollars in tin mines in that country. The largest producer however is the Patino Mines and Enterprise Consolidated which leads the world in the production of this metal. W. R. Grace & Co., with the ownership of 3,500 acres of tin bearing lands is another American company, however, active in Bolivia.

Other Bolivian industries in which our financiers have interested themselves are the Bolivian Railway which was financed and built by American companies, and the National Match Factory of Bolivia. The American International Corp. has also been active in financing and constructing public works in Bolivia and an American firm has acquired 300,000 acres of Bolivian land for colonization purposes.

Brand Meets Brand in Conflict

(*Continued from page 549*)

a sub-standard quality of corn under a private label for 20 cents a can or the same price as the fancy grade, although the price to the jobber for this sub-standard corn was only 7 cents a can.

What significance does this battle of brands hold for the varied groups interested in the food and retail field in general? The national manufacturer not only finds a more intensified competition in his own field of national brands because the large companies are steadily taking on additional products and thereby overlapping each other, but the tremendous power of the chain stores is being wielded to foster their own particular brands which are being used to undersell the national brands. The trend toward private brands is also noticable among the independents who, like the chain stores, use local newspaper advertising to great effect. The trend means that the national manufacturer must make an ally of this advertising by greater cooperation in the plans of the dealers.

The small manufacturer with no expensive national consumer advertising is favored by the trend toward private brands for he may by this means share in a broader market without the necessity for a national distributive organization and national consumer advertising. But in the long run the great manufacturing and marketing organizations in food and other lines, such as those already cited, can resist the onslaughts of the multitudinous private brands by their uniform quality, continuously supported demand by aggressive advertising and a liberal price policy. This latter has been demonstrated during the past months of falling commodity prices and the quick adjustments made in retail prices of their packaged goods. Moreover the policies of the national food purveyors are vindicated by their earnings record which sets them far above the average in a year of general reductions. They are meeting a buyers' market with profit.

Trade Tendencies

(*Continued from page 572*)

quickly corrected with but a fair improvement in demand and indications of betterment are not entirely lacking. The United States Steel Corp. reported an increase of some 200,000 tons in unfilled tonnage for the month of January—a better showing than had been expected, which did much to offset other unfavorable indications.

BUILDING

Loses Recent Gains

Building contracts awarded during the month of January showed declines in comparison with the previous month according to F. W. Dodge Corp. As might have been expected, the greatest decrease occurred in the industrial division, although the commercial division also showed a tremendous decline. Contracts awarded for residential construction were off more than 18% and the long looked for revival in this division does not suggest widespread improvement as yet. It becomes increasingly apparent that under conditions of curtailed consumer purchasing power there is an oversupply of business and residential space which is offsetting other favorable factors including the ease in money. Eventually of course this surplus space will be absorbed and under the impetus of cheap money a sharp upswing will take place. The period of consolidation, however, is not unlikely to take some little time and near-term prospects are for barely seasonal improvement, although it must be remembered that the downtrend having been in evidence for so long activity can hardly be curtailed to a much greater extent than it is at present.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
American Book Co. (7)	87	96
Amer. Cigar Pfd. (6)	65	85
Amer. Dist. Teleg. (4)	77	85
Do Pfd. (7)	110	112
Amer. Manufacturing (4)	28	35
Do Pfd. (5)	50	60
Amer. Meter Co. (3)	50	55
Babcock & Wilcox (7)	103	107
Bliss (E. W.) Co. 1st Pfd. (4)	56	..
Co. B Pfd. (0.60)	9	..
Bohack (H. C.) Co. 1st Pfd. (7)	102	105
Bon Ami B (2)	..	35
Cleveland El. of Illum. Pfd. (6)	110	113
Congoleum Co. Pfd. (7)	99	..
Crowell Publishing (3)	67	73
Do Pfd. (7)	103	110
Detroit & Canada Tunnel	3½	4
Dixon (Jos.) Crucible (8)	130	140
Dry Ice Holding	30	45
Fajardo Sugar	38	42
Franklin Rwy. Sup. (4)	50	55
Gt. Atl. & Pac. Tea Pfd. (7)	116	119
Ludlow Valve Mfg.	112	115
Merck Co. Pfd. (8)	73	75
Metro. Chain Stores Pfd.	7	9
Murphy (G. C.)	40	45
Pfd. (8)	95	110
New Eng. Tel. & Tel. (8)	135	138
Newberry (J. J.) Pfd. (7)	90	95
Remington Arms 1st Pfd. (7)	82	86
Savannah Sugar (6)	68	74
Pfd. (7)	82	87
Singer Mfg. Co. (12.50)	340	345
Smith, A. O. (2)	157	165
Standard Screw (8)	90	95
United Porto Rican	10	15
Pfd. (3.50)	20	25
Wash. Ry. & Elec. (7)	400	..
Pfd. (5)	98	100
Welch Grape Juice (1)	48	52
Do Pfd. (7)	99	..
West Va. Pulp & Paper (2)	32	34
Do Pfd. (6)	97	100
Wheeling Steel	29	33
Do Pfd. (8)	105	112
Do Pfd. B (10)	108	115
White Rock 2nd Pfd. (20)	190	..
1st Pfd. (7)	102	107
Woodward Iron (4)	29	39

THE Over-the-Counter market is usually slow to reflect changes in trend on the exchange, particularily changes that have their origin in highly professional transactions. During the period of liquidation on the exchange during 1930, the Over-the-Counter market was comparatively well sustained. When the somewhat violent rally materialized on the exchange during the past fortnight, the Counter market was relatively quiet. If the upward trend on the organized security markets continues over a period of time, however, the influence of the upward trend of prices is bound to be reflected in quotations for unlisted issues.

Singer Manufacturing Co.

Singer Manufacturing common stock, which has long been one of the outstanding investment stocks in the unlisted market, sold as high as 550 in 1930, as low as 330 and is currently quoted at slightly more than its low price of last year. The company earned approximately $27.50 on the 900,000 shares of capital stock shown to be outstanding in the last statement available, which represented a slight increase over the previous year. The company is the largest and oldest manufacturer of sewing machines with plants and sales offices spread throughout the world.

Although its business is one which has shown unusual stability in the past and has successfully weathered many business depressions, it was not entirely immune to the unfavorable conditions which prevailed throughout the world last year. Sales in 1930 were reported about one-third lower than in the previous year. In addition, the company has been meeting considerable difficulty with the imposition of heavy taxes and tariffs on its foreign business.

The company has always enjoyed a foresighted and conservative management. It is continuing to expand its educational work in order to have its products used in schools, more than 30,000 machines having been placed at the disposal of some half a million students in 1930. The management has been fairly conservative in the matter of dividend distributions and has reinvested heavily from its surplus income into securities of other industries. Approximately 5 million dollars of "other income" was received from these investments last year. Such outside sources of income should help materially to sustain dividend payments, which are continued regularly at the annual rate of $10 a share plus liberal extras when conditions and earnings of the company warrant.

For Features to Appear in the Next Issue

See Page 531

Taking the Change Out of Exchange

(Continued from page 545)

comparable size in the world. The fundamental objects of the bank are such that a free movement is clearly called for, and Mr. McGarrah has stated that "with due regard to our commitments in a given currency and to liquidity, we have endeavored to move capital from markets where it is superabundant to markets where it is needed." "We move capital," he says, "from markets of low interest rates to markets of high interest rates, in order to help the trend toward a leveling-out of rates and to assist commerce and agriculture in those centers where the interest rate is excessive."

The bank made investments in Germany during the incipient "flight from the mark" of last autumn, thus aiding in stemming the crisis precipitated by the irresponsible antics of the Hitlerites, and at the end of the year 25 per cent of its assets were still there. But the placement of any substantially larger proportion of its funds in any one market is unlikely. There are too many international checks and balances in the control of the bank to permit this to happen.

Thus, when all is said, while the international character of the control of the bank insures policies marked by a sane world outlook, it is safeguarded against injudicious commitments. When the 25 eminent and not very soft-headed bankers and business men of the 16 nations represented on the board agree on the geographical placement of the bank's investments and advances, it is safe to assume that the best interests of the group as a whole are being served and no favorites played. With a board of such complexion the supposed dangers of an over-altruistic internationalism, of which we hear so much from the halls of Congress, are pure humbug.

During the past two years or more, discussion has been active concerning the sufficiency of the world's stock of monetary gold as a basis for a credit structure adequate to carry on the world's business. This discussion was stimulated by the gradual sag in prices from 1925 through 1929, which was attributed by some to an inadequate supply of the media of exchange, including bank credit. All this gave added interest to the international bank project. The question most often raised in connection with the new institution is in what way and to what extent can the bank fulfill the functions of a "central bank of central

BUILDING AND LOAN ASSOCIATIONS

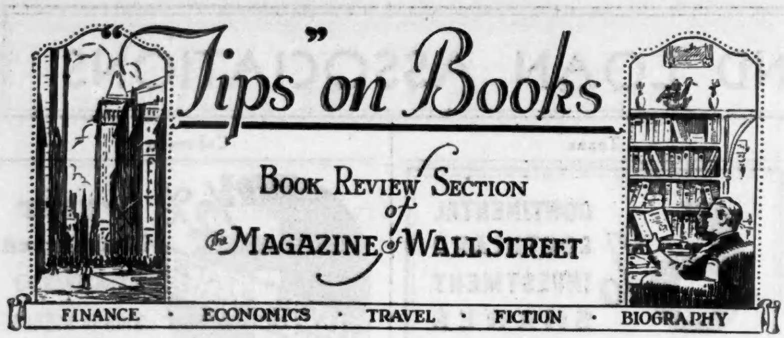
DIVIDEND NOTICES

SHELL UNION OIL CORPORATION

65 BROADWAY
NEW YORK, N. Y.
February 11, 1931.

A quarterly dividend of $1.37½ per share has been declared upon each share of the 5½% Cumulative Convertible Preferred Stock of this Corporation issued and outstanding, said dividend to be paid on April 1, 1931, to stockholders of record at close of business March 10, 1931. Checks will be mailed.

S. W. DUHIG,
Secretary and Treasurer.



INTRODUCTION TO WALL STREET

By John Francis Fowler, Jr.

Harper & Brothers

INTRODUCTION TO WALL STREET is an attempt to do for finance what H. G. Wells did for history and Will Durant for philosophy. Strictly speaking, however, it is not a history of the subject but rather an outline of it as it now exists.

Consideration is first given to the various types of securities with their attendant merits and demerits and to the manner in which they come into existence. The technique of buying and selling is discussed along with the machinery of the stock exchange which makes such trading possible. The principles of investment are stated and explained, and speculation is defined and discussed at length. The money market and its relation to the stock exchange supplies the material for another chapter.

One receives the impression upon reading this volume that it has been written by an observer rather than an extensive participant in the affairs of the "Street." It has a detached style frequently associated with books used as college texts, but this should not detract from its original purpose which was evidently to furnish the man who would be well rounded in his understanding of topics of wide interest with a general description of the world of finance.

For the reader who would delve more deeply into the subject, the author supplies a chapter on sources of information in which he lists various services and financial publications whose purpose is to instruct the investor in their particular field.

There is also an appendix containing a glossary of financial terms as well as many abbreviations commonly used.

To the man who is considering for the first time the investment of his funds in securities, *Introduction to Wall Street* should be a decided asset, and it should not be amiss in the libraries of the many who buy stocks and bonds on tips, only to inquire of their brokers a few days later: "What does my company do?"

M. S. D.

THE WATER GIPSIES

By A. P. Herbert

Doubleday, Doran & Co., Inc.

THIS is the story of Jane Bell who interpreted life through the pages of a tabloid. Jane was poor, and her home was a barge on the river in London, but her heart was as romantic and her spirit as proud as that of the wealthiest heiress. To her, life was a series of dramatic episodes in which she was the leading lady, but all the finales were a mixture of comedy and tragedy never seeming quite to attain the ultimate. Her occupation was that of a servant-girl; her only tutor was the cinema, and her only literature, the *Sunday Gazette.*

All events affecting her, she saw in subtitles or glaring head lines. Thus, after being invited to pose for Mr. Bryan, the artist, for whom she had until then acted as maid-of-all-work, Jane went out with her tray, thinking, "*Lured to the Haunts of Bohemia, Estelle Falls in with Bad Company,*" but all she said was, "I've turned on your bath, Mr. Bryan."

While it is Jane's story, her father, who worked fitfully as a member of the cinema orchestra until he had enough put by to place it on the horses, and Lily, her sister, who wouldn't work at all, are characters of no small importance.

Jane was essentially a good girl. Lily, according to worldly standards, was not. Suffice it that Lily enjoyed life while poor Jane, after being unhappily married to Ernest, a subway worker and a member of the League of Red Youth, and frustrated in her attempts to gain Mr. Bryan's heart, ended by marrying Fred, a barge-man who had loved her always but hadn't had the courage to tell her so.

Mr. Herbert's irony is keen but not cruel, and the story is entertaining, moves rapidly, and ends logically. One's attention is first caught by the irony and humor but is held, as the story advances, by interest in the principal character. At the beginning, I thought, "Amusing Jane," but, as I read the last page, "Poor Jane."

W. F. D.

banks," in centralizing gold reserves and thus giving greater elasticity to the world credit system.

The present activities of the bank partake only moderately, if at all, of the essential functions of a central bank. The ordinary movement of its funds from market to market is no different in its effects from a similar movement of private short-term money. The expansion of credit in the market to which funds are moved is accompanied by a corresponding contraction of credit in the market from which moved—and no expansion occurs in the credit structure of the world as a whole.

The theory of the concentration of reserves, as exemplified in the Federal Reserve system, is that, since separate reserves ample for all emergencies of the respective banks holding them have to be larger than the average requirements for all banks over a period of time, the margin over the average may be made available, by pooling of reserves, as additional bases for credit. No serious suggestion has been made, however, that the monetary gold of the world should at this time be deposited in the B. I. S. in order to bring about by an economically sound means a general reduction of reserve ratios of central banks as "members" of the B. I. S. Public opinion in the various countries is not yet ready for a step of this magnitude in recognition of the economic solidarity of the world.

A moderate reduction of ratios by indirect means would be possible in the case of gold standard central banks if they were to count as part of their gold reserves their deposits with the B. I. S., specifically those created by borrowing from the latter. The result would be an increase in their stated reserves and an expansion in the lending capacity of their member banks by multiples of the increase. Such an expansion of credit would be a net expansion for the world as a whole, not being accompanied by any corresponding contraction elsewhere.

The sharp drop in world prices during 1930, however, makes it appear likely that less will be heard, at least for a time, of the alleged inadequacy of the gold reserves of the world. Unless prices rise to a substantially higher level than at present the currency and credit requirements of business will continue to be substantially smaller than they were before the decline.

Moreover, even a year ago the proponents of the gold shortage idea were admitting that the difficulty lay perhaps less in any absolute shortage than in the "maldistribution" of gold. Much of the agitation of the subject has come from England. It is the roar of the wounded lion—understandable and sympathy-begetting, but hardly ra-

FINANCIAL NOTICES

Dividends and Interest

Midland United Company

Notice of Dividend

The Board of Directors of the Midland United Company has declared the regular quarterly stock dividend of one and one-half per cent (1½%) upon the Common Stock of the Company [being at the rate of three two-hundredths (3-200ths) of a share upon each share outstanding] payable on March 24, 1931, to stockholders of record at the close of business February 28, 1931.

Where less than a whole share would be issuable for such dividend, scrip dividend certificates will be issued for the fractional shares.

B. P. SHEARON, Secretary.

American Water Works and Electric Company

INCORPORATED

(of Delaware)

NOTICE OF DIVIDEND

A regular quarterly dividend of $1.50 per share on the $6 Series, First Preferred Stock of the Company, for the quarter ending March 31, 1931, has been declared payable April 1, 1931, to stockholders of record at the close of business on March 12, 1931.

W. K. DUNBAR, *Secretary.*

Canadian Pacific Railway Company

DIVIDEND NOTICE

At a meeting of the Board of Directors held to-day, the following Dividends were declared:

On the Preference Stock, Two Per Cent. for the half-year ended December 31, 1930.

On the Ordinary Capital Stock, Two and One-half per cent. for the Quarter ended December 31, 1930, from Railway Revenues and Special Income.

Both Dividends are Payable April 1, 1931, to Stockholders of Record at Three P. M. on March 2, 1931.

By order of the Board,

ERNEST ALEXANDER, Secretary.

Montreal, February 9, 1931.

CENTRAL ARKANSAS PUBLIC SERVICE CORPORATION

Preferred Stock Dividend No. 72

52 William Street, New York, N. Y.

February 4, 1931.

The Board of Directors has this day declared the Seventy-Second Consecutive Dividend of One and Three Quarters Per Cent (1¾%) on the Preferred Stock of the Central Arkansas Public Service Corporation, Payable on March 2, 1931, to the Stockholders of Record as of the Close of Business February 16, 1931.

The Transfer Books will not be closed.

H. G. TOWNSEND, Treasurer

TENNESSEE CORPORATION

61 Broadway, New York

February 9, 1931.

The Board of Directors of the Tennessee Corporation has this day declared a quarterly dividend of twelve and one-half (12½c) cents per share on the issued and outstanding capital stock of the company, payable March 16, 1931, to stockholders of record at the close of business on February 28, 1931.

E. H. WESTLAKE, Treasurer.

Dividends and Interest

Midland United Company

Notice of Dividend

The Board of Directors of the Midland United Company has declared the regular quarterly dividend upon each share outstanding of the Convertible Preferred Stock, Series A, of the Company, consisting of seventy-five (75) cents, in cash, or one-fortieth (1/40) of a share of Common Stock of the Company, at the election of the holder, such election to be made fifteen business days before March 24, 1931.

This dividend is payable on March 24, 1931, to stockholders of record at the close of business on February 28, 1931.

B. P. SHEARON, Secretary.

The North American Company

QUARTERLY DIVIDENDS

No. 108 on Common Stock of 2½% in Common Stock (at the rate of 1/40th of one share for each share held); and

No. 39 on Preferred Stock of 1½% in cash (at the rate of 75 cents per share)

Will be paid on April 1, 1931 to respective stockholders of record at the close of business on March 5, 1931.

Robert Sealy, Treasurer

Federal Light & Traction Co.

Preferred and Common Stock Dividends

52 William Street, New York, N. Y.

February 4, 1931

The Board of Directors has this day declared the Regular Quarterly Dividend of One Dollar and Fifty Cents ($1.50) per Share on the Preferred Stock of Federal Light & Traction Company, payable on February 28, 1931, to the stockholders of record as of the close of business February 14, 1931.

The Board of Directors has also declared the Thirty-Third Quarterly Dividend on the Common Stock of the Company at the rate of Thirty-Seven and One-Half Cents (37½c) per share in Cash and One Per Cent in Common Stock. This dividend is payable on April 1st, 1931, to the common stockholders of record as of the close of business March 13th, 1931.

The Transfer Books will not be closed.

H. G. TOWNSEND, Assistant Treasurer.

San Francisco, February 4, 1931

At a meeting of the Board of Directors of the Standard Oil Company of California, held this day, regular dividend Number Twenty, of 62½c a share, was declared, payable on March 16, 1931, to all stockholders of record as shown by the transfer books of the corporation in San Francisco and New York at the close of business on February 16, 1931.

STANDARD OIL COMPANY OF CALIFORNIA

Dividends and Interest

Imperial Oil, Limited

Dividend

Notice To Shareholders And The Holders Of Share Warrants

Notice is hereby given that a dividend of twelve and one half cents (12½c) per share, in Canadian funds, has been declared by the Directors of the Company and that the same will be payable in respect of shares specified in any share warrant of the Company of the 1929 issue within three days after the Coupon Serial Number TWENTY-EIGHT (28) of such share warrant has been presented and delivered to ANY BRANCH OF:

The Royal Bank of Canada

such presentation and delivery to be made on or after the 2nd day of March, 1931.

Payment to Shareholders of record at the close of business on the 14th day of February, 1931, (and whose shares are represented by share certificates of the 1929 issue) will be made on or after the 2nd day of March, 1931.

The books of the Company for the transfer of shares will be closed from the close of business on the 14th day of February, 1931, to the close of business on the 28th day of February, 1931.

BY ORDER OF THE BOARD.

F. E. HOLBROOK, Secretary

56 Church Street,
Toronto, Ontario.

MOTOR WHEEL CORPORATION

45th Consecutive Dividend

Lansing, Michigan
January 28, 1931.

The Board of Directors today declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the common stock payable March 10, 1931 to stockholders of record February 20, 1931.

C. C. Carlton,
Secretary.

Monongahela West Penn Public Service Company

NOTICE OF DIVIDEND

The Board of Directors of the Monongahela West Penn Public Service Company has declared quarterly dividend No. 31 of one and three-quarters per cent (43¾¢ per share) upon the 7% Cumulative Preferred Stock, for the quarter ending March 31, 1931, payable April 1, 1931, to stockholders of record at the close of business March 14, 1931.

S. E. MILLER, *Secretary.*

METRO-GOLDWYN

PICTURES

February 11th, 1931

The Board of Directors of the Metro-Goldwyn Pictures Corporation has declared a quarterly dividend of 1¾% on the Preferred Stock of this Company, payable on the 14th day of March, 1931, to stockholders of record at the close of business on the 27th day of February, 1931.

Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer.

tional. The flow of gold from England to the United States and France is largely due to England's failure to maintain her export position in the international commodity markets. The drain to France is also partly due to the banking failures there, which due to the absence of a short money market in Paris and to rigidity in the central banking mechanism there, have necessitated the drawing down of French balances in the London acceptance market.

It is understood that the B. I. S. stands ready to assist, by short-term investment in Paris, in the development of a market there for bankers' acceptances. If such a market, employing also French funds, were developed it should do something to correct a situation where the first line of defense of the banking system of France is in London rather than at home. But if this is accomplished, London will probably have permanently lost a considerable part of the French funds heretofore employed in its bill market. London cannot have it both ways. If it enjoys the profits of a great discount market employing funds from all over the world it must expect to meet its short-term maturities when the owners have need of their funds at home. If it were not for the disproportionately acute recession in British trade and consequent shortage of British foreign earnings coming into the London market, the French demands would have been less noticeable and more easily met.

The continued retention of surplus gold in the United States and France is obviously due (apart from causes connected with the French banking crisis) to failure to reinvest abroad surplus earnings derived from foreign trade and investment. Neither country is performing fully the long-term lending function inseparable from the status of a creditor nation. This, again, is not due to monetary causes. It is due in a measure to inexperience of the United States in the business of foreign lending, which will gradually be rectified, and also and in large part to recent unfavorable political tendencies, presumably temporary, on the continent of Europe and elsewhere. Central banking policy cannot cure this condition.

It would appear that England's gold difficulties arise in large part from trying to maintain for the sake of the banking profits involved the long-term foreign lending function of a creditor country, when her current operations on trade and international services are probably not producing a credit balance. Her banking machinery is more efficient than her industrial machinery, whereas both must go along together. It may well be that England, at least for a time, must become a borrower on long-term. This would probably have a further quieting effect on current agitation of the gold shortage thesis.

Taking a final look at the B. I. S., we may conclude that much of the speculation concerning its probable role in adjusting the world credit base and controlling major price movements is at present academic. The bank now acts as an important unit of a new kind in international finance, administering its funds with the definite purpose of easing foreign exchange strains and relieving international money market tensions. It is at the same time carrying on the unspectacular but vastly important role of bringing central bankers together on its board for periodical consultation on the difficult problems of credit and monetary policy with which they are confronted as heads of their respective institutions.

Market Strives for Higher Levels

(Continued from page 537)

declines. Various issues have various objectives. No matter how enduring or substantial the rise may be, the sponsors of weak issues will take full advantage of the general trend to mark up and distribute their unwanted holdings.

Even as far as the general market is concerned, it is well to recognize that the advance has already brought losses, actual and potential, to short sellers of both the amateur and professional variety. Technically, the rise has weakened the market. It would be only natural to expect the market to break down into a more selective affair, with periods of reactions and irregularity, after the first rush of short covering has been completed. Some of the conservative banking interests have expressed themselves as being apprehensive concerning the sharpness of the rise and may be expected to lend little encouragement to a situation that would lead to a runaway market from this point. With the market situation at hand here, however, the probability of a severe reaction to test the 1930 lows seems considerably more remote than it did a few weeks ago.

Investment in stocks, therefore, must be more than ordinarily discriminating, under the circumstances. Conservative investment policy does not commend commitments made on the top of a vigorous advance, no matter how promising the longer range outlook may be. A reaction from these suddenly established prices, however, would seem to offer opportunities for discriminating buying among the thoroughly deflated stocks which will offer a fair yield.

Facts, News and Comments

Darwin P. Kingsley, who has been president of the New York Life Insurance Co. for twenty-three years, will resign his position in March to become the first chairman of the board. Thomas A. Buckner, a vice-president since 1903, will become president. Mr. Kingsley's resignation is in no sense a retirement from active participation as it is his intention to continue to devote all of his time to the general affairs of the company.

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C. Edgar Lee, formerly manager for G. L. Ohrstrom & Co., in Western New York, announces the formation of C. Edgar Lee & Co., with offices at 551 Fifth Ave., for the transaction of a general investment securities business.

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By the acquisition of the Canadian utility properties known as the Dominion Gas & Electric Co., American Commonwealths Power has added 102 communities to the territories already served by its operating subsidiaries in the United States and Canada. The entire system now serves more than 400 growing cities and towns, located in diversified areas extending from Maine to Florida, from the east coast to as far west as Arizona, and north through the provinces of Alberta, Saskatchewan and British Columbia.

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Thomas L. Smith has been elected first vice-president of Standard Brands, Inc. Thirty years ago he was driving a delivery wagon in Troy, N. Y., for the Fleischmann Co. For nine years, he was vice-president and general manager of the Fleischmann Co. and became a vice-president of Standard Brands when that company absorbed Fleischmann in 1929.

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Frederick W. Jesser, who has been active in the electrical industry for 42 years, was recently elected a director of the New York Edison Co. He has served the company successively as secretary to the vice-president, assistant secretary of the company, and since 1924, secretary, which position he still holds.

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